

# Crime escalation shows up welfare state failure

by Allan Lsvett

INCOME maintenance and law and order are the two remaining services to be discussed in my review of the Planning Council's report, *The Welfare State? Social Policy for the 1980s*.

These two are respectively the costliest and the least expensive in terms of total state spending: social welfare, mostly income maintenance, will take 28.2 per cent this year and law and order just under 2 per cent.

Despite the massive increase in the former, due to National superannuation, over a twenty-year period law and order spending has grown at the fastest rate — faster also than education and health. Law and order costs averaged 72 per cent in the 1960s, while social welfare already required over 20 per cent of total government expenditure.

The increased cost of law and order, is one measure of the failure of the welfare state in New Zealand.

**This people most often apprehended by the police, most charged in criminal courts and appearing in family and children's courts, and given the most severe (and costliest) "treatment", come overwhelmingly from the poorer sections of the community, above all with a record of school failure.**

They come from the most vulnerable "at-risk" sections of society, precisely those the welfare state was in part designed to assist in order to reduce the risks — and the costs.

Similarly when New Zealand's earlier welfare state was operating most equitably — when all families were well-housed and well-fed, when the poor were still hopeful about schooling for their children, when there was no state-subsidised "private" medical system bleeding the public health facilities — in those days, also of full employment, the rate of offending in New Zealand was extraordinarily low on a world comparative basis.

Thus one aspect of the growth of delinquency and crime in New Zealand and of the consequent growth in the costs of social control, points to increasing inequality of access to public services.

This is not the whole story on law and order, nor is it the aspect that the Planning Council deals with. We should not need high crime rates to want to eradicate poverty and reduce school failure and unhappy home life.

The Planning Council concentrates on two other aspects of law and order, both critically important and dealing directly with government expenditure.

The first is the overabundance of laws, statutes and regulations, and the second is the rising costs and increasing failure of our methods of handling crime.

Crimes are created by laws and the increasing number of laws is said to have produced the greater volume of business coming before the courts and

the police. Also it adds unnecessarily to the complexity and costliness of the criminal justice system.

The Planning Council's recommendations, though sensible, are rather superficial, mainly because there is no analysis of how the present situation came about: Simplify the body of law — language and procedures; Reduce the total number of statutes and regulations; Eliminate outdated laws; Instead of constantly using laws as sanctions, develop more persuasive systems (sic) of inducement and reward (the carrot, and not the stick).

New Zealand MPs are plentifully supplied with back-up staff and are little able to examine proposals closely, let alone develop alternatives.

For various reasons the New Zealand Parliament is not a genuine debating chamber, and it lacks the capacity to search for remedy and reform.

Most serious fall, because more widespread in the society, is a tendency to favour laws filled with specific, ad hoc detail, over statements of principle, or high level generality. So most Acts of Parliament are cumbersome intricate structures blotched with amendments.

The Planning Council does not speak of fundamental processes such as these, and so its suggestions for changes in law-making may be whistling in the dark.

As to the handling of crime the Planning Council must usefully documents both the high costs and the failure to be effective. It costs over \$12,000 per year to keep a man in Paremoreno and just under that for a girl in a girls' home. Neither has much effect on reducing crime among prison grannies.

It turns out that we use imprisonment, the most costly method, more than most countries — in fact our imprisonment rate is five times that of Holland.

Unhappily the Planning Council's report fails to show a full awareness of the incarceration problem, and the proposals for reform are little tinkering that will neither improve effectiveness nor reduce costs: New referral procedures, whilst tonal counselling in the community, a securer prosecution

and reform and greater broad optional choices.

However, with no intention in mind the Planning Council has

recommended a

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## An appropriate case for getting together

by Colin James

AND now the super-quango, Energy Undersecretary Barry Brill wants to short-circuit planning procedures for gas processing plants.

"Can we afford to wait for projects of vital importance to find their way through the jungle of bureaucracy?" he has twice asked in the past few weeks.

As promoters of industrial projects in the past have found to their horror, it can take years to get through all the hoops, if environmentalists take a dislike to the proposal.

Gas processing plants, particularly petrochemical plants, are environmentally damaging.

Brill fears environmentalist opposition to any of the Mount Isa projects could delay it up to four years.

So he wants full powers to be given to the Planning Tribunal (the town and country planning appeal body) to decide and grant all the myriad permissions now necessary from local and national authorities — local bodies, ports authorities, Water and Soil Conservation Authority, Environment Commission, and so on.

To me it points up the

pressing need for the development of a genuine consensus about our energy future.

Huge sums are involved — in Brill's estimate, an investment of about \$1300 a head.

The political decisions of the next few months will tie us into a fairly fixed development pattern for a decade ahead. Successive governments are likely to find their room for decision-making severely restricted.

But it would be a chilling expansion of state power. Beside Brill's planning supremo, the fiscal regulator is a pinprick.

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### National support rises: party not written-off

by Colin James

DON'T write the National Party off yet for 1981. The Heylen poll has turned up some tentative supporting evidence for those who believe it may have turned a corner.

Between the Budget on June 21 and July 14, when the most recently available poll was taken, National's rating rose sharply to be within 2 percentage points of Labour.

As the graph shows, this rise was mirrored by a downswing in Social Credit support.

In 1978 Social Credit votes were swelled by people who thought National had deserted its principles — that it was too socialist. In economic management and its attitude to the welfare state and that it was too soft on the unions.

In the meantime, the Labour Party might be asking itself why it has managed such a small lead over National at a time when the Government has seemed at a very low popular ebb.

In the economic and political disarray of the past six months, the Opposition party might in any other country be expected to be ahead.

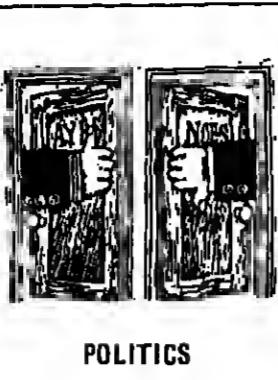
Instead, the detailed Heylen results show, over the past six months Labour has been losing more support than National to Social Credit and winning less from Social Credit.

Bill Rowling has also been unable to get nearer than 2½ points to the Prime Minister in popularity, with the single exception of late March, after a month of industrial unrest. At times he has been 12 points behind.

It is thus interesting to find David Lange still featuring strongly as the fifth-rated politician, behind Bruce Beetham and Brian Talboys, even though he has kept a low profile since the election.

It is also interesting to note the emergence of Richard Prebble — from a nil rating in March, to 0.1 per cent in May and 1.1 per cent in the July 14 poll.

Clearly the 1981 election is not decided yet. It is not out of the question that the present Prime Minister will lead National in 1981 — and lead it to victory.



The tribunal would be able to hear submissions from these bodies, and impose conditions on the operation of the proposed plant, but not to reject a proposal.

In other words, if the Government chose your backyard for a petrochemical plant, that would effectively be that.

We have had a taste of this sort of approach. Petrocorp committed us to an ammonia-urea plant without first obtaining water discharge rights and without an environmental impact report.

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danger is that the decisions made by this Government with its ideology of profit implying exploitation might be incompatible with a future Labour Government's ideology of self-sufficiency (implying suspicion of the giant multinational oil companies).

And that is the way it remains.

New Zealand operates a adversarial system — the people resolve problems through combat. That goes to courts, our judicial relations, our policies.

And the Government is decisiveness in its decision-making in energy can buy back votes for it.

If a post-1981 Labour Government tried to turn the gas ship round, we would all risk being thrown overboard.

It would seem more sensible to try to develop a bipartisan consensus in the Middle East and how urgent it is to exploit the gas.

In other words, it can cogently — though not necessarily conclusively — be argued that short-circuiting the planning procedure would be in the national interest.

But it would be a chilling expansion of state power. Beside Brill's planning supremo, the fiscal regulator is a pinprick.

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pressing need for the development of a genuine consensus about our energy future.

Huge sums are involved — in Brill's estimate, an investment of about \$1300 a head.

The political decisions of the next few months will tie us into a fairly fixed development pattern for a decade ahead.

Successive governments are likely to find their room for decision-making severely restricted.

It has been done before.

During the world wars there were coalition war administrations. In peacetime both parties co-operate on legislation dealing with

the necessities of the Opposition

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## EDITORIAL

POLITICAL leaders on both sides of the Tasman are embracing in a major initiative to forge a closer relationship between New Zealand and Australia. And while the movement towards a free-trade bloc has gained momentum over the last few weeks, surprisingly there have been few indications of apprehension from manufacturing or farming lobbies — recognition, perhaps, that this country is too small to go it alone in a world dominated by trading goliaths like the United States, Japan, and the EEC.

Prime Minister Rob Muldoon gave a sign of the direction in which we are headed at the National Party conference, when he said a committee had been set up to look at the trans-Tasman relationship. He met with Australia's Malcolm Fraser in Lusaka during the Commonwealth Prime Ministers' Conference to discuss the matter, while Deputy Finance Minister Hugh Templeton was kicking the idea along on the front bench.

The idea of economic union has been bandied about, for years, of course. About a year ago, for example, Planning Council chairman Sir Frank Holmes was advocating the case for New Zealand and Australia working in tandem to advance their political, economic and strategic interests in Asia and the Pacific.

Australia's Trade and Resources Minister Doug Anthony gave the idea impetus when he was in Wellington for the last Ministerial talks on Nafta. He arrived here after a trip through Asia, and the realities of Asian economic and political developments loomed large in his thinking. He was concerned that we should be comprehensively rationalising our trading relationships vis-a-vis Asia, rather than sitting down to talk about peas and beans.

Anthony sees the basic options as simple — to "dig along as we are", or to thoroughly explore the possibilities of a wider and more rewarding form of economic co-operation.

But it isn't only the politicians who have been at work. In May, the leaders of the Australia-New Zealand Businessmen's Council included customs union on their agenda, and the council has commissioned the New Zealand Institute of Economic Research to study factors inhibiting trans-Tasman trade. Customs union is among the study options.

Essentially, this and other official studies are aimed at clearing the decks, to ascertain what would be the most useful form of economic association. Thus they are wide-ranging in scope — but total free trade and a customs union appear to be the most promising options. Officials are planning a timeframe of some 10 years for implementing the idea.

Neither country is said to be working on the premise that spectacular gains will be realised. Rather, the prospect is that the two countries will work together in developing Asian markets from a wide industrial base as possible, using joint political and marketing clout.

Fundamental to the idea is that both countries are restructuring anyway, so why not restructure together for optimum advantage?

There is recognition of a growing wages and wealth gap between Australia and New Zealand and that if a move to economic union is not made now, it will be too late. Further, the mood now is better than perhaps will ever be — specially as oil price rises shake New Zealand's economy and place an increasing burden on an import bill which, when invisibles are added, is eating away the advantage gained by our lowest 20 per cent increase in export receipts, leaving us with a chronic balance-of-payments deficit.

But whatever the economic merits of a customs union, free trade zone, or whatever, ultimately the outcome of the latest initiatives rests with the politicians. And the idea that is so attractive to politicians today will be promptly abandoned by the same politicians tomorrow if they perceive there might be some electoral disadvantage in their decisions.

Bob Edlin

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NBR's insurance writer John Sloan has been awarded the AMP prize for financial journalism for 1978 for an article on products liability which appeared in our investors' supplement on March 1 last year.

It is the second time Sloan has won the award. And it adds to a growing list of awards won by NBR staffers, among them Auckland reporter Warren Berryman.

Thus a reader thought it appropriate to draw our attention to the Stop Press column of The Sunday Times the other day, which recorded the results of the News Media Flying Mile at a race meeting on publication night. Winner (and 3-3 in the betting) was a beast called Berryman.

IT'S enough to make any first-class traveller choke on the complimentary cavalcade at 10,000 metres.

Economy passengers, and more lately budget fare travellers, have been subsidising the nob up front for years.

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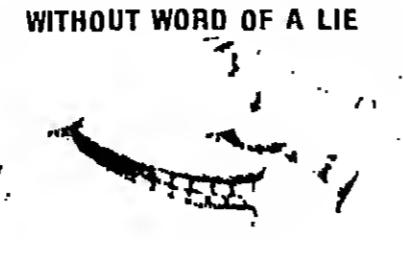
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WITHOUT WORD OF A LIE

THE first-class trimmings, but not wishing to sit next to passengers paying a fraction of the fare, can get a businessman's ticket pitched mid-way between full-fare economy and first-class, but for the time being only on Qantas and Pan Am flights.

WELLINGTON cabbie was extolling the virtues of the new fuel the other day, as he drove into the city from Lower Hutt with an acquaintance of ours.

Seems his vehicle was one of the first in that neck of the woods to be converted to CNG.

But his enthusiasm wasn't shared by his passenger when the car creaked out on the motorway. She finished up 20 minutes late for work.

WE were a little perturbed last week to hear that the Government was working on yet another set of regulations.

According to our informant, they would oblige every household in the country to install a fireplace. And what with the nature of the energy crisis, and Government's propensity for regulating to take care of problems, we figured the move must be deemed necessary to help cut oil imports, or to ensure that even more wind-ups over the tops of our dams, or something.

But it transpires that a fireplace is considered desirable in every home to allow the Prime Minister an optimum audience when he broadcasts his next fireside chat.

THE budget should be broken down in relation to the quality of business analysis in its commercial pages when it awarded NZTS Holdings Ltd its accolade for "the sexiest cover of any annual report so far received this year". The cover features "a lovely young lady in a bubble bath", encroached upon by a "dinner-jacket-suited arm holding a drink and carrying a bath towel". Which, to the financial writer of the Post, suggests "all kinds of possibilities".

Sad to report, our own Peter V O'Brien has overlooked sex content in his obviously less penetrating weekly analyses of annual accounts. Presumably he holds that a company's performance and its worth as an investment prospect cannot be gauged by the quality of the cheesecake on the cover, but rather by the bare facts inside.

The outcome — no exemption. But there emerged one of those rare flashes of bureaucratic genius which make it all worthwhile.

On her earlier day, the Ministry of Transport informed her, she could drive 12 kilometres to the nearest police station to apply for a permit to visit her mother. And the same again in the evening — you can't get two permits at once.

Well, that's one way to spend your curless day — driving around chasing pieces of paper, even if it doesn't save much petrol for Bill Birch.

IT had not been one of the great Budget debates. Prime Minister Rob Muldoon observed when winding up the five-week Budget debate.

He could remember the look on Labour members' faces on Budget night "far more clearly than I can remember any of the Opposition speeches that followed."

One of our confab with a legal degree and a file for journalists went to the Labour Department for a job and not register for the vote.

And he declared: "The public liked the Budget even if the members of the Labour Party pretended to knock it."

How could he tell? Well, he could tell because the latest public opinion poll showed he was back ahead of the Leader of the Opposition, he said.

And certainly, the poll did show Muldoon was ahead in public esteem. But he may have overstated things when he said the public liked the Budget.

Just two days earlier, at least one newspaper reported that the budget had been a non-event, according to the latest Heylen poll.

And the chance of a job? No jobs going, he was told. Unless he was interested in a temporary Government job — here a placement could be found in a couple of days.

THE Evening Post can only have enhanced its reputation for the quality of business analysis in its commercial pages when it awarded NZTS Holdings Ltd its accolade for "the sexiest cover of any annual report so far received this year". The cover features "a lovely young lady in a bubble bath", encroached upon by a "dinner-jacket-suited arm holding a drink and carrying a bath towel". Which, to the financial writer of the Post, suggests "all kinds of possibilities".

She has a mother, aged 90, who still lives alone, but needs some help each day. Her daughter drives six kilometres, twice a day, to her house to give the necessary assistance and considerately feeling inside, that she is performing a community service by providing the support that keeps one elderly person out of an institution.

She was surprised, therefore, when her application for an exemption was turned down.

No, there was no way around it. She explained to various officials in a series of confrontations. Her mother had to be fed and bathed each day. Yes, she did take a holiday each year, but a good friend stood in for her at these times, covering on the system as usual.

Early in the negotiations, which were wrangled on and off for most of the year, the British suggested a short low season in each direction. Now they are proposing a low end to end fare without stopovers, which at present — because Air New Zealand does not fly beyond Singapore, Hong Kong or Los Angeles — only British Airways can offer.

At the same time the British are offering Air New Zealand landing rights in London, so long as passengers are not picked on route. In effect Air New Zealand would have to fill a Delta flight time paying passengers in Auckland and fly non-stop to London, other than technical touchdowns for refuelling and crew changes.

Air New Zealand is not interested.

But the British are using the

WHILE Christchurch Mayor Hamish Hay dusts off the welcome mat in hope of Sir Freddie Laker's arrival, the British Government is trying to exert pressure to produce an agreement, hovers Cathay Pacific.

The British Government wants landing rights for the Hong Kong based airline in Auckland in addition to British Airways' twice weekly schedule, a point New Zealand negotiators are not prepared to concede.

But the British have shown little interest, content to let determined budget travellers arrange their own connecting flights across the Tasman.

But the British are using the

"Bureaucrats proliferate like maggots in the body economic decay," said Cook. He was talking about the increase in Government expenditure and regulatory activity and the taxes needed to pay for it all — tax that is becoming so burdensome that productive New Zealanders are emigrating and the country's tax base is declining.

But as Thorp told it, Cook's remarks were directed at all Government servants — such as nurses, policemen, airline pilots, and teachers.

APOLOGY

THE National Business Review of February 21, 1979 carried an article in the "Without Word of a Lie" column relating to the Wellington newspaper publisher, Independent Newspapers Limited.

INL has contested four matters raised in the NBL article and, following inquiry, NBL now accepts INL's objections.

The first matter complained of by INL is the statement that INL was "moving to sell off its larger real estate holdings in order to cover the company's forthcoming dividend". NBL has already explained that a dividend could be paid only if real estate holdings were sold, INL confirms and NBL accepts the explanation.

The fourth issue relates to the passage in the article which can be interpreted to mean that The Dominion was operating at a financial loss and was becoming an increasing burden to INL NBL now accepts INL's objections.

INL is in a position to cover or pay its forthcoming dividend in the normal way from profits.

The second matter raised by INL is that the article can mean that INL out of its publishing business was not able to make good commitments to shareholders and maintain dividends. No such meaning was intended by NBL.

The third point is the claim in the article that INL, in realising its property holdings is "huckstering" on its previous business policies. INL states and NBL accepts that it has always been its policy to develop and/or realise property surplus to the requirements of INL and to apply the money so generated for the benefit of INL and its shareholders.

The fourth issue relates to the passage in the article which can be interpreted to mean that The Dominion was operating at a financial loss and was becoming an increasing burden to INL NBL now accepts INL's objections.

INL has contested four matters raised in the NBL article and, following inquiry, NBL now accepts INL's objections.

The first matter complained of by INL is the statement that INL was "moving to sell off its larger real estate holdings in order to cover the company's forthcoming dividend". NBL has already explained that a dividend could be paid only if real estate holdings were sold, INL confirms and NBL accepts the explanation.

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## BROCKIE'S VIEW



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10 minutes from the heart of Auckland, on the North Shore. Designed around a beautiful swimming pool courtyard.



**Palmerston North - Awapuni Motor Hotel**  
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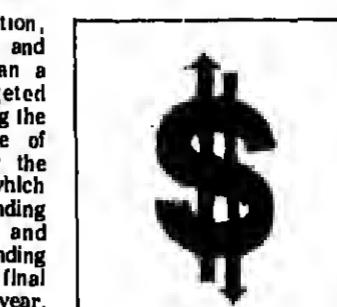
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THE ECONOMY

GOVERNMENT'S deficit hit record levels for the June quarter this year making the planned Budget deficit little more than a dream.

According to the June Quarter Public Accounts released last week, the Government spent \$580 million more in the first three months of the year than it collected in revenue, more than half the year's planned Budget deficit of \$100 million.

Of course, since the 1979 Budget was not released until nearly the end of the June quarter, Government departments could not be sure what their annual appropriations would be.

Spending in the first quarter must continue at about the same rate as the year before until the Budget is released.

In 1978-79, Government spending increased 21 per cent so it is not surprising that spending in the June quarter was increasing at a rate of 16 per cent.

The supplementary estimate of \$10 million in the Budget is not large enough to cover additional Government spending as well as the salary and wage increase. When the supplementary estimates are voted in September, Parliament will probably vote much more than \$100 million for the Government.

So the rate of spending established in the June quarter may not show later this

year. Instead of a 12 per cent increase as budgeted, the increase in Government spending for 1979-80 could be at least 16 per cent.

And while spending is likely to grow faster, the Government's receipts are not likely to grow as fast as budgeted. Taxation receipts for the June quarter did increase at a slightly faster rate than was budgeted, but this reflected the introduction of new tax rates since June last year.

The full effect of the duty levied on motor spirits announced in the 1978 Budget is reflected in a 7.4 per cent increase in motor spirits tax between June this year and June last year. Customs, sales tax and beer duty collections are also up, partly reflecting the sales tax changes introduced May 17 this year. But when spread over a full year, the increases in these items are likely to be in line with Budget estimates.

According to the Budget, the Government expects to get most of its revenue from income taxes. The Budget estimated that income tax revenue would increase by nearly 25 per cent during 1979-80. In the June quarter, though, income tax receipts only increased by 20 per cent over last June quarter.

And as the table shows, only 15 per cent of the budgeted amount of income tax was received in the June quarter. And the income tax cuts coming into effect in October will dampen the rate of growth in income tax revenue.

Because the Government has some flexibility over paying its bills, its spending can be managed so that payments flow evenly from the public accounts during the year — 25 per cent in the first quarter, 25 per cent in the second quarter and so on.

It is not possible to achieve an even flow of receipts into the public account because of the nature of the tax laws and Inland Revenue's methods of administering these laws. For example, the tax receipts from

companies and self-employed individuals flow into the Government's coffers only during the September and March quarters.

Based on past trends though, it seems likely that the deficit for the December quarter public account will be even larger than the deficit for the June quarter. This is further evidence that the deficit for the year will grow beyond the budgeted \$100 million.

In addition, last year, the June quarter deficit of \$47.4 million turned out to be approximately one-third the size of the annual deficit of \$146 million. If this June quarter's deficit of \$580 million

### PUBLIC ACCOUNTS TO JUNE

	June Quarter \$ million	As per cent of budget Estimate per cent	1979 Budget Estimates \$ million
<b>EXPENDITURE</b>			
Administration	596	155	26
Foreign Relations	111	89	21
Dev. of Industry	720	199	28
Education	931	260	28
Social Services	2162	169	22
Health	1010	234	23
Transport Communc.	260	38	15
Def. Services	791	111	18
Misc. Financing	236	10	3
Transactions	100	-	-
Supplementary Estimates	-	-	-
General Imprest A/c	-	-	-
Outstanding (1)	-	73	-
<b>A. Total Expenditure</b>	<b>7668</b>	<b>16.9</b>	<b>22</b>
<b>FINANCED FROM</b>			
Income Tax	1360	158	13
Customs, Sales Tax	930	190	19
Beer duty	115	34	24
Highways Tax	192	10	22
Motor Spirits Tax	218	39	18
Other Taxation	218	-	-
Total Taxation	6095	760	12
Interest, Profits, Miscellaneous	463	101	21
Trust Account, Suspense Account Outstanding (2)	-	217	-
<b>B. Total Revenue</b>	<b>6578</b>	<b>1079</b>	<b>16</b>
<b>DEFICIT (A-B)</b>	<b>1090</b>	<b>580</b>	<b>-</b>

(1) Monies spent but not yet classified by Government function.

(2) Monies collected in revenue but not yet classified by type of receipt go into the Suspense Account.

## Statement stoops to confusing tangents

When the Finance Minister announces publication of the Public Account in the Gazette, he issues a press statement with two explanatory tables attached.

The two tables are very useful. One puts the account information on a Budget table 2 basis so that the Government's actual performance can be compared with what it said it intended to do in the Budget (see Table A). The other table shows the flow of funds between different accounts and within individual account items within the public account. It is an aid for interpreting the Public Account.

But the press releases accompanying the accounts for the last few years seem intended to confuse the public by providing descriptive information without analysis.

The latest press statement has not been published here for our readers' edification. We have not published the accompanying tables in the same format, but even if we did this statement is unlikely to be any clearer.

THE Public Accounts for the three months ended June 30, 1979 were released today (August 8) by the Acting Minister of Finance Hon H C Templeton.

The Minister said the overall balance of the Public Account is \$213.2 million higher than at June 30, 1978 which represents an increase in cash and investments of \$121.0 million and a fall in Imprests of \$30.3 million. The increase in the balances reflects the success of the 1979 cash loan number 2 and the loan raised in Japan in April which was initially invested overseas.

Income tax receipts rose by 19.8 per cent and total taxation receipts rose by 22.5 per cent.

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(B) Beechcraft B-24R Sierra ZK-DVD \$46,000



(C) Beechcraft A-36 Bonanza ZK-ENZ, New. \$135,000  
(D) Beechcraft Duchess ZK-ECE New. \$130,000

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# Energy Ministry dries up Nationwide's chance

by John Draper

**NATIONWIDE** Air's independent airfreight service is on the brink of submission to the New Zealand cloaking machine.

Using two Carval freighters, the company in various guises, struggled to get airborne in the face of officialdom and strong opposition from established freight operators, particularly the New Zealand Railways.

Now it seems victory will go to the Railways by default. The Energy Ministry's refusal to allow the operators, avgas for its two Carval freight aircraft will see that.

The death knell probably will be sounded in front of the Air Services Licensing Authority late this month, when Nationwide Air International Ltd seeks to extend the charter licences it claims to hold to cover a non-scheduled service between Blenheim and Wellington carrying new cars.

Hamilton-based James Aviation has also applied for a licence to operate the Carvals. But the company's request for fuel to operate the aircraft has been rejected three times by the Government. Chairman and managing director Ossie Jones says he will now oppose Nationwide's bid for a licence.

For the Railways, the Energy Ministry's refusal will be particularly sweet.

Since the early 1960s Nationwide founder, Matt Thompson has turned his entrepreneurial talents to stripping business away from the Railways.

Solidifying the Cook Strait and avoiding the rail ferries was to be his next conquest, setting up a totally independent freight service primarily for moving new cars from factory to showroom by truck and plane. The planes arrived late in 1974 but the delay had cost Thompson's Hulaways group several million dollars and it went into receivership last December.

Nationwide Air Ltd, formed

by the takeover of two existing airlines, Air North and Akarana Air, founded not long after.

But another Thompson company with the former owner of Air North, Christchurch solicitor John Rutherford, and others, formed Nationwide Air International to lease the Carvals from the Luxembourg-based Bank of Credit and Commerce International.

The planes, converted DCs, flew through February, March and April before liquidity problems brought the fledgling airline crashing down again. But not before it had extended the Wellington-Blenheim service to include a night Wellington-Christchurch-Auckland and return service specialising in bulky lightweight cargoes.

Rutherford claims there was a backlog of three weeks' cargo waiting in Auckland to be flown south when services were suspended in April.

One aircraft needed a new engine. The other was already grounded for a 1000-hour overhaul requiring recertification by the Transport Ministry Civil Aviation Division.

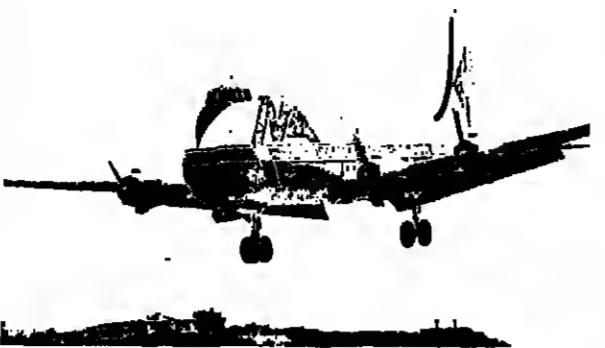
In May, Nationwide's lease of the aircraft expired and was not renewed. The Bank of Commerce and Credit International made it known that it wanted to sell the plane, not lease them. The price: \$800,000.

Rutherford blames James for the high price, which was beyond Nationwide. The company was on the brink of insolvency again.

James expressed an interest in Nationwide's operations, but was rebuffed by the directors.

When Nationwide's lease on the Carvals expired, he began negotiating with the bank's agent in Auckland.

James went as far as lodging an application to operate the aircraft with the Air Services Licensing Authority. It is now unlikely to proceed unless James can use the influence of



CARVAL FREIGHTER ... comes in for a permanent loading

the oil companies to change the Government's mind.

Since the Carvals arrived, avgas has rocketed in price world-wide and New Zealand supplies have been running low.

Although there are now 10 months supply in the country, the Government has imposed restrictions on use. All commercial operators are

restricted to 90 per cent of last year's use and new licence applications are not being accepted.

Jones argues that the Carvals already have a history of avgas use in New Zealand, and that changing the ownership should not make any difference to allocation.

"If we cannot get fuel, there is nothing we can do," James said.

If that deal fails through, Rutherford says Nationwide

has an option on the Carval and overseas fuel can be arranged.

James says he is angry that the decision apparently had been taken behind closed doors.

"I feel that this is the use of regulations to arbitrarily prohibit existing operators," he said.

"Avgas is available to Air North and Akarana's heirs which Nationwide holds. And the Carvals are flying long before its regulations come into effect."

But the Energy Minister told the company that he will be no fuel for the Carvals.

It is understood that Nationwide has the option to buy the Carvals from overseas source.

Undaunted, Rutherford expects the Air Services Licensing Authority to be given a long-term lease of the Carvals.

Given current discussion of closer ties with Australia, the Minister may well have his department working on the long-term possibilities of a Tasman or Pacific court of final appeal.

The Privy Council: No change.

The highest court of the land is actually in England; the Judicial Committee of the

Privy Council: New Zealand should continue to allow appeals to a non-resident court. Australia and Canada have both submitted appeals to the Privy Council. The Royal Commission sidestepped the issue to some extent, but did recommend that there be no abolition until such time as an expanded Court of Appeal comprising five permanent appellate judges was firmly established.

The Minister has virtually nothing to say about this subject. Nor does he respond to the commission's recommendation for abolition of the present monetary limit on such appeals.

The legal profession, at least, can now happily speculate on the likely new appointment.

The commission recommended that Court of Appeal judges normally be appointed from among experienced Supreme Court judges. The

Minister's report is silent on the point.

The present Court of Appeal consists of four permanent appellate judges, the Chief Justice (by virtue of his office) and Supreme Court judges who sit temporarily as required.

The immensely lengthy JBL appeals forced a legislative amendment due to expire later this year permitting the court to sit in two divisions.

The Minister has accepted the commission's recommendations for the appointment of one further permanent appellate judge, the continuation of the

divisions, and the use of a Supreme Court judge on criminal but not civil appeals.

The legal profession, at least, can now happily speculate on the likely new appointment.

The commission recommended that the proposed amendment to the Crimes Act which will have the effect of enabling complex criminal fraud cases to be dealt with by a superior court tribunal settings and its observation that the presiding referee would normally be experienced lawyers are refuted.

The Magistrate's Court: New work.

The Magistrate's Court is also to be renamed — for equally obscure reasons — as the District Court. The jurisdiction of this court is to be substantially enlarged in the civil and criminal areas, as mentioned above.

But before that, 24 small Magistrate's Courts, including Matamata and Motueka, will be closed immediately. This move is undoubtedly politically the most difficult of those foreshadowed in the Minister's paper.

The Minister has also accepted the commission's recommendation on the creation of an entirely new position, that of Chief District Judge with responsibility for efficient utilisation of District Court judges.

Here again there is scope for idle speculation on the likely appointment, presumably to come from the ranks of experienced magistrates.

Family Court: Perhaps the most fundamental change recommended by the Royal Commission was the transfer of jurisdiction over family proceedings (separation, divorce, custody, adoption etc) to a division of the District Courts, manned by selected District Court judges only and located away from other courts, to be known as Family Courts.

In speeches given earlier this year, the Minister warned of the great expense such a move would involve and seemed to be reducing ex-

pectations of its implementation.

But the Minister's new paper contains a clear commitment to the establishment of Family Courts (without giving any significant details) and the introduction of legislation this year.

One result of this is likely to be the rewriting of parts of the Family Proceedings Bill introduced at the end of last year's Parliamentary session.

Small Claims Tribunals: Slowly does it.

The Minister's paper promises extension of Small Claims Tribunals as a division of the District Courts "progressively... in all courts where there is a need".

However, the commission's recommendation for public tribunal settings and its observation that the presiding referee would normally be experienced lawyers are refuted.

It is worth noting also that the Minister is to introduce a Law Practitioners Bill into the House this session for recess study. That will provide a rare opportunity for a close look at the services provided by the legal profession.

Among the more prominent of the commission's recommendations not likely to proceed, or at least not for some considerable time, is the establishment of a judicial Commission to advise on appointments and their complaints, the establishment of a permanent law reform commission, and the introduction of the position of master into the court system.

Then there are matters raised by the commission and not touched in the Minister's paper.

There may be noted: the reduction in the judicial retiring age from 72 to 65 years; the increasing of witnesses' and jurors' fees; and the need for a determined effort to recruit people from all minority groups to all levels of the Justice Department and to the legal profession.

The Royal Commission on the Courts produced a thorough and conservative report. The Minister has now produced a less thorough and more conservative paper. The legislative end-product is likely to be with us for a long time. We can only hope it will suffice for troubled times ahead.

# McLay skips through a court restructuring

by Jack Hodder

IT IS now nearly three years since the Royal Commission on the Courts was set up under the chairmanship of Mr Justice Beattie and more than one year since its 440-page report was completed.

Justice Minister Jim McLay has celebrated the report's first anniversary by releasing a 27-page paper entitled "A New Court Structure for New Zealand". This document sets out various Government decisions resulting from an evaluation of the Royal Commission's report.

But the Energy Minister has virtually nothing to say about this subject. Nor does he respond to the commission's recommendation for abolition of the present monetary limit on such appeals.

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# Gitaway centres in travel industry dispute

by Warren Berryman

**T**HE travel industry is rumbling with dissatisfaction over deals entered into by Air New Zealand with large tour wholesalers in a move to corner the market.

Small independent travel agents complain they are being shot out of the market by the Air New Zealand-led combines.

Large travel agencies ask why, if Air New Zealand is willing to negotiate deals, they can't deal direct with the large agencies rather than through a middleman.

Competing airlines just grit their teeth, bide their time and

hope they might catch Air New Zealand in a breach of IATA regulations.

Air New Zealand's relationship with Link, the cut-rate fare discounter, is now under investigation by the Transport Ministry.

This investigation was initiated by the Travel Agents Association, TAANZ, which complained that Link was charging fares far lower than it could charge itself while remaining within the regulations. (NBR July 11, 1979).

TAANZ members criticise Link for passing on huge savings to the travelling public. But a large group of

TAANZ members are involved in an arrangement that provides them with higher commissions if they deny traffic to competing airlines and channel it to Air New Zealand.

Key to this operation is Gitaway Holidays Ltd.

Gitaway, a tour wholesaler, is owned one-third each by United Travel Services, Atlantic and Pacific Travel International Ltd, and Air New Zealand Associated Companies.

United Travel Services is a tour wholesaler franchise operation with 39 member companies. Most of these members are shareholders in

a holding company, United Travel Holdings. UTH members own 32 travel agencies throughout the country.

Atlantic and Pacific are 50 per cent owned by Dalgetys. It has seven offices of its own while Dalgetys' travel has 24.

Air New Zealand Associated Companies is a fully-owned subsidiary of Air New Zealand, which has 29 offices in New Zealand.

Thus Gitaway has a total of 152 offices lined up. There are some 305 travel agencies in the country.

By regulation, airlines may pay no more than 9 per cent commission on fares.

Commissions of about 10 per cent are usually paid to agents selling tour packages.

Tour packages, such as Gitaway, include air transport and land content such as hotels.

United Travel Services offers its agents an additional commission on top of its usual commission for tickets sold on Air New Zealand flight.

United sent a "no scorecard" tolls agent this year urging them to Air New Zealand to pay fares in other airlines. This is Gitaway, first class economy fares.

The extra commission payable on the Gitaway, and on the point-to-point

receive an additional 1 per cent on top.

The largest figure is the agent's Air New Zealand traffic as a percentage of total traffic.

Thus there is a discount for the agent to sell Air New Zealand flight.

United sent a "no scorecard" tolls agent this year urging them to Air New Zealand to pay fares in other airlines. This is Gitaway, first class economy fares.

The extra commission payable on the Gitaway, and on the point-to-point

is the agent's Air New Zealand traffic as a percentage of total traffic.

Thus there is a discount for the agent to sell Air New Zealand flight.

A spokesman for the club said Tether Insurances issued a cover note but this did not give the name of the underwriter.

## Clients wait on claims

### Case No. 7

by Rue Muzengarh

# NBR BUSINESS WEEK

## A growth phase poses production problems

Year ended March 31	Private Capital Formation (excluding dwellings)	Increase over Previous Year per cent	Per cent Increase in CPI over previous Year	Net per cent Increase in Private Capital Formation
1973	783	18.9	8.0	13.8
1974	906	15.7	10.3	5.4
1975	1088	17.0	13.2	4.7
1976	1208	13.1	17.2	14.1
1977	1424	17.8	13.7	1.2
1978	1317	17.51 (1)	14.6 (2)	(22.1)
1979	1570 (3)	17.6	10.4 (2)	7.2 (4)
1980	1785 (3)	13.6	15.0 (5)	1.4 (4)

Provisional  
(1) NZIER domestic outlay price deflator is 11 per cent 1977-78 and 12.5 per cent 1978-79.  
(2) NZIER Estimate — subject to revision  
(3) Subject to revision  
(4) NBR estimate  
(5) NBR estimate

by Peter V O'Brien

NEW Zealand will face production problems if the economy moves into a growth phase at the end of the next four years.

Figures for private capital formation show a deterioration, which is worse after allowance for replacement plant at higher prices than the equipment being scrapped.

But industry is likely to find itself with a shortage of productive capacity after allowance for current idle capacity.

The table gives figures for fixed private capital investment in the 1970s, excluding expenditure on residential dwellings. The pattern is clear, although several explanatory points should be noted.

The "deflator" used to produce "net per cent increase in private capital formation" is the Consumer Price Index.

This is a rough and ready approach, but alternatives present problems. The New Zealand Institute of Economic Research uses a price deflator when estimating movements in "domestic output" (private and public consumption expenditure, private and public fixed capital formation, and changes in stocks), but the institute advises that the deflator is unavailable in a time series going back to the early 1970s. There is a difference between the estimated price deflator in the institute's Quarterly Predictions and the Consumer Price Index.

The "deflator" used in the June edition is 12.5 per cent for 1978-79, while the CPI movement was 10.4 per cent. In assessing the price deflator for 1977-78 the institute used a figure of 11 per cent, but the CPI change for that year was 14.1 per cent. The General Price Index is inappropriate, because it includes "public" industries.

The comments are relevant:

"In order to improve economic improvement country must have capacity to produce goods in the right quantity at the right price for overseas customers. Capacity denotes investment, and occurs after investment has been made concurrently in labour. Consequently, the investment needed for 1980 will take three years before it is quite clear what necessary investment is going to take place."

Change from 1978-79 to the comment, plus the figures in the table, illustrate the bottleneck, where a move into high rate growth.

value of the dollar August 10, and the other is the probable development of alternative local energy sources which will reduce the low investment in hydro plant and equipment.

Referring to private capital formation in 1977-78 in its Statement, the Department of Statistics said:

"The most significant was in the level of private capital formation which was 10.1 per cent from \$24.3 million to \$26.7 million. All types of private capital formation recorded a building work put in place 5.3 per cent, the equipment by 23 per cent, and plant, machine, equipment by 8.2 per cent estimated that inventories plant, machinery and equipment by manufacturing industries declined 4 per cent" (NZIER emphasis).

Figures in the public sector for 1977 capital formation distorted by the value of the Main project. Expenditure were estimated percentage changes in terms are much less.

The heavy export "one off" items bias the figures, particularly of vessels for the Corporation. The figure refers to an expenditure million on the "North Pacific" in 1978-79 except that imports of equipment in 1978-79 changed from the previous year after excluding these items. The institute's container vessel delivery runs will cost less \$25 and \$30 million in 1979.

For example, the figure used in the June edition is 12.5 per cent for 1978-79, while the CPI movement was 10.4 per cent. In assessing the price deflator for 1977-78 the institute used a figure of 11 per cent, but the CPI change for that year was 14.1 per cent. The General Price Index is inappropriate, because it includes "public" industries.

The table also makes no allowance for expected changes in the institute's estimates following the downturn in private capital formation in the Department of Statistics' provisional figures for 1977-78. The next edition of Quarterly Predictions should adjust the amount of \$1517 million and reduce the 17.6 per cent increase shown in the table.

The assessment of 1978-80 CPI movement at 15 per cent in our calculation, based on 4.5 per cent in the June quarter, a similar increase in September, and around 3 per cent for each of the December and March quarters. On a year-to-year basis that would produce 15.8 per cent, but an allowance for a drop to 2.7 per cent in each of the final quarters gives 15 per cent, a reasonable figure for the purposes of this exercise.

even if it turns out to be. The table also indicates that the overseas deficit substantially, while hopefully being used in a way that manufactured exports become more price competitive and give further improvement to the balance of payments.

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Change from 1978-79 to the comment, plus the figures in the table, illustrate the bottleneck, where a move into high rate growth.

## Analysing annual accounts

by Peter V O'Brien  
THE Wellington machinery and industrial equipment supplier Dalhoff & King Holdings Ltd operates a sizeable business from an unusually low financial base.

The 1978 annual report gives a proprietorship ratio (shareholders' funds to total assets) of only 29.62 per cent, down a fraction from 1978's 29.82 per cent.

Inventories of March 31 were 50.42 per cent of total asset values, compared with 59.4 per cent in the previous year.

"As noted in the managing director's report, there is a nine month lead time between placing of orders overseas and having equipment ready for sales in this country.

"With sales at current levels we would regard \$9.5 million as the optimum total at the beginning of the 1978 spring, and this target now appears within reach."

"For companies such as yours, who have to hold and finance substantial trading

stocks purchased overseas on long lead times, the problem of financing stocks will remain a difficult one as long as inflation continues at high rates."

The company has another problem with stock levels. Much of the equipment (including trucks, aircraft and agricultural machinery) is expensive, and relatively few units represent a substantial dollar investment. A minor change in market conditions can have a considerable effect on dollar values in the balance sheet at year-end.

The cost of financing stock is also high. King says interest and exchange costs per dollar of sales increased from 2.3 per cent in 1977 to 3.7 per cent last year, during a three year period of relatively level sales. The costs are eroding profitability.

Net profit before extraordinary items was \$498,000 up against \$367,000 in the previous year, after tax went up by \$135,000 to \$106,000. Net assets would be considered abnormal in many supply companies, particularly when stocks totalling \$9,777,000 at book value are compared with sales of \$32.1 million. The latter figure includes the margin added to the stocks to provide gross profit.

Dalhoff & King's stock position in its address to the 1978 annual meeting (an address which is always extensive and informative).

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## Exchange rates

Exchange rates as of August 10, 1979.

SINZ is worth:—			
Australia	.8974	Malaysia	2.1500
Britain	.4547	Netherlands	2.0182
Canada	1.1833	New Caledonia and Tahiti	
Fiji	.8251	77.02	
Japan	217.68	Norway	5.0403
West Germany	1.3055	Pakistan	9.8231
USA	1.0106	Papua-New Guinea	
Austria	1.1336	Unapplication	
Belgium	29.41	Portugal	49.27
China	1.5381	Singapore	2.1680
Denmark	5.3012	South Africa	.8367
France	4.2924	Spain	66.09
Greece	36.52	Sri Lanka	4.2659
Hong Kong	5.1700	Sweden	1.5517
India	8.0649	Switzerland	1.6517
Italy	123.46	Western Samoa	3653

Selling rates supplied by CBA Bank.

## Key indicators

	Current Period	Previous Year	Percent Change*
Consumers Price Index — all groups since Dec 1977 - 1978 formation in 1978-79	June 29 qtr Feb 29 yr	1977 \$120.1m \$101.4m	+19.7m +39.9%
Official Unemployment Rate 1979 Quarterly Predicts	June 1979	5.932 m	+1.2%
The application of 11 per cent deflator to the CPI produces negative growth.	July 1979	51.084	+ 0.2%
NZLC Share Price Index Reserve Bank Share Price Index	Aug 8, 1979	345.27	327.47
	Aug 8, 1979	1473	1388
			+ 6.1%

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## Agency bills go public

MEMBERS of the Association of Accredited Advertising Agencies of New Zealand make full and detailed returns each year of turnover, revenue and expenses to the association so that it can chart the progress of the industry and provide useful guidelines to its members.

By using an independent accountancy service the confidentiality of the individual returns is immaculately preserved.

Such reticence about domestic finances is characteristic of New Zealand business and traditional in the agency field. So effective is the mind-your-own-business syndrome that outsiders have been guessing at the turnover of some long-established agencies for half-a-century and are none the wiser.

But slowly, times seem to be changing. An increasing number of important agencies are declaring substantial information, not just in their neighbours, but to the whole advertising world.

Advertising Age, that American giant among advertising magazines, goes to considerable lengths each year to ascertain billings turnover and gross income (revenue) figures from agencies all around the world and compiles tables for world rankings, United States domestic rankings and listings for 50 countries from Argentina to Zimbabwe where McCann-Erickson provided the only return.

Four of these had resulting revenues in excess of \$1 million with the top agency passing the \$2.5 million mark.

But there are important qualifications and reservations to be observed before any conclusions on the current state of play can be drawn.

Mosby was leader in the first of the million dollar earnings mark, Darriner Beck's figures preceding its merger with Campaign which

numbers and accounts gained and lost.

The tables for 1978 were published in April and there are 11 agencies in the New Zealand section. This may be a small proportion of the total number of accredited agencies (and there are some notable absences such as Charles Haines, J. Scott, and Carlton-Carruthers) but it is not unimpressive compared with Australia's 25 and it does contain some important agency names.

There was a time when listings were made by Advertising Age in order of billings. But when billings exceed the size of New Zealand's budget deficit Japan's Dentsu billed well over US\$200 million in 1978 the figures become clumsy and AA opt for "gross income" as better indicator. Here, we generally like billings or turnover figures as the prime size measure.

And SSCB-Lintas which was listed as having close to a \$750,000 gross income figure stood on its own in 1978 but with DWME is now allied to the world's largest agency conglomerate — Interpublic. To provide further scope for conjecture, returns are required to be presented for the calendar year, cutting across the traditional fiscal year income date.

Consequently most of the figures quoted are estimated and this is supported by the fact that the income figure bears a nearly exact 20 per cent relationship to the billings figure in five out of the 11 returns.

But some agencies are not happy in the varying treatment that agencies use in presentation. Advertising Age asks agencies to "gross up" the fees for creative and other services which effectively means multiplying them by a factor of five.

Some do and some don't. And this makes for discrepancies. One agency says, "It distorts the picture. Unless all agencies follow the same method in future, we doubt if we will continue to supply returns."

This annual revelation rather resembles one of these international golden mile events.

We await the result with a great deal of excitement but also with a great deal of frustration if Walker or Bayi are non-starters. We'll never know if they are still as good as they were.

One of the values of such international returns is the opportunity to get some perspective on our own industry.

New Zealand's top billing agencies would not be dwarfed in the United Kingdom scene and could be in the top dozen in Canada which has seven times our population.

In a separately compiled table comparing advertising expenditure per capita, New Zealand shows at less than half the Australian figure.

But Australia is up there with the Netherlands and Scandinavian countries and only the United States looking down on them from the advertising stratosphere.

Nevertheless, with just on \$US40 per capita expenditure, we are on a par with United Kingdom and — surprise — Japan and way ahead of most Central and South American, African, Middle East and Asian countries.

In one way, the amount of advertising employed in the economy of a country is a measure of the material comforts being offered to its people. On these grounds, even advertising opponents should not want to see it decline. Ethiopia's advertising bill is three cents per inhabitant.

## Zeal pushes into print

SEVERAL New Zealand agencies are in the publishing business. With commendable zeal they issue house news sheets containing comment, opinion and industry information for the benefit of their clients and those other advertisers who one day may be from time to time Admark users and acknowledge material which stems from these sources and merits wider circulation. From recent issues we reprint:

"One of the real advantages of print advertising is the self-evident proof of appearance; the piece of paper imprinted with your advertisement bears silent witness to the fact that your advertising was there, to be seen and absorbed or ignored.

"Not so the electronic media. Radio beams out its commercial messages, a maximum 18 minutes an hour, up to 24 hours a day, 6 days a week, without monitoring, without proof. And on for television..."

"Monitoring services exist, although their accuracy is sometimes in question (and no wonder, if those monitors are obliged to sit at home all day watching television!) but the cost of such services is beyond the reach of all but the largest advertisers.

"An advertising campaign cannot be effective if its message is lost or garbled in transmission; the advertiser has the right to know if extraneous factors are hindering effective communication. And, in the final analysis, the medium must provide that

"There was already a move in this direction because many firms had difficulty in finding good men who were prepared to leave their families for several months of the year while travelling overseas on their firm's business.

"The alternative was for companies to send a man plus his family abroad, but a few selected consumers instead.

"Mass marketing as it is known in the past decade will become an outmoded concept displaced by the era of personalised marketing. The future is now and those who recognise the trends are benefiting already.

Friars Advertising newsletter issued by WARWICK & GREY ADVERTISING, Auckland.

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# Confidence erosion aids lobby

by Belinda Gillespie

THE flourishing of anti-fluoride feelings despite fluoride's apparent benefits has been analysed by the American Journal of Public Health as having several causes.

People now have a sharper awareness of political processes: "Watergate awakened the collective consciousness — erosion of public confidence in government is evident."

The assertion of individuality and freedom of choice is now being reaffirmed as a social norm, and is widely used by campaigners against fluoridation.

Environmental issues such as air and water pollution, and possible carcinogens in drinking water are now a

matter of public concern.

There is an accompanying approach to health care and nutrition, a trend accompanied by an element of "anti-science". The movement includes also a desire for a simplified life-style and a distrust of substances in food and water which interfere with their purity.

Finally, the reversal of previous health decisions has aroused public alarm, for example, in America cyclamates and saccharin, the artificial sweeteners which were widely used before being banned by the Food and Drug Administration, were previously thought to be harmless.

In this climate, agencies such as the American National Health Federation and its less

well-coordinated but active counterpart, the Soil Association of New Zealand emerge to increase public awareness and raise additional doubts.

Part of the impetus comes from the work of American doctors D Burk and J Viamouyiannis, whose claims

statement issued in 1973: "The only sign of physiological or pathological change in lifelong users of optimally fluoridated water supplies is that they suffer less from tooth decay."

Nevertheless, the anti-fluoride movement, worldwide, has gained ground.

In the United States, the steam behind it comes from well funded, national, multi-

FRESH MOUNTAIN WATER...to fluoride or not?

issue organisations placed to date propaganda around the world.

Among supporters the John Birch Society in the early 1970s, the Press.

The most active at the time is the American Health Federation, which is called the American Food Administration. It promotes remedies, eccentric and quacky.

Besides having convictions for medical products with false claims, the NHF consistently opposed health measures as and polio vaccination justification of all.

The foundation of Viamouyiannis, who studies and advocates fluoride in a Los Angeles campaign.

In 1973 he joined the Park, producing massive studies that have been seized by the American Cancer Institute to take some of the functions — age, sex, race.

In Britain, Dr Viamouyiannis has credibility during health authorities, boards, and charitable public acceptability.

Further analysis work followed, involving independent investigations by medical and other organisations and the National Health and Cancer Research Council.

At the first meeting of the new council, the decision was taken to hold a referendum, initially in conjunction with a by-election. But eventually the referendum was held on its own.

This seems to have ensured a low turnout of voters (28 per cent), fluoridation being a matter of indifference to most of the population.

Those who did vote came out four to one against fluoride.

Peter Skegg, dental officer at the Rotorua District Health Office, said that many in favour of fluoridation didn't bother to turn out, believing the referendum was an option only. But it was enough to swing two councillors previously in favour of fluoride, and one of them a referendum.

The importance attached to the American cancer paper by the opponents of fluoride in Rotorua had overlooked the fact that although it had been accepted as evidence in a lower court hearing in Pennsylvania which ruled against fluoride, the ruling was later overturned in a higher court.

Annals maintains that there is some bias and emotionalism on both sides. "As a public health measure, fluoridation is probably more successful than any other. But there is a case for arguing that its imposition on all segments of the population infringes upon human rights."

According to Skegg, the anti-fluoride campaign was orchestrated from Tauranga, where J Stuart-Menzies, national vice-president of the Soil Association is an active and vocal opponent of fluoride.

Campaigners were active in the country rather than the city area. The established health practitioners were unmoving by their un-

by Belinda Gillespie

TO the 20 per cent or fewer of the population who care, fluoridation is a passionate cause. Sometimes it leads to desperate acts.

At a Plunket mothers' meeting in Greytown a few years back, a Wellington dental officer publicly poisoned himself in an attempt to disprove anti-fluoridationists' claims that fluoride was 15 times more lethal than arsenic.

Her gesture misfired. She mistakenly swallowed a two years' instead of three months' dose, and was later admitted to hospital with the symptoms of fluoride poisonings.

She denied that her act provided fuel for the opposition's fire, maintaining that the consequences in no way reflected on the safety of fluoridated water supplies.

The results are usually in the other camp. New Zealand's leading

TWO cities have decided against fluoridation of their water supplies in recent weeks. In Rotorua, the council made an expensive decision to mothball equipment which has been in use for only a few months; Christchurch councillors continued to reject fluoridation in spite of medical and dental opinion that it is a public health measure par excellence.

In the first of two-part series, Bellinda Gillespie looks at the moves behind the Rotorua decision, and at the activities of the anti-fluoride movement in New Zealand.

fluoride he removed from the water immediately.

The Health Department responds with a low-key approach of an ongoing educational programme pointing out the benefits of fluoridation.

"Our policy is to respond when a local body shows interest," said Mike Hollis, of the Department's dental division.

He thinks that the majority of the population is indifferent to the question of fluoridation, though there is extra interest at the moment.

This stems partly from the American fluoridation-cancer claims, partly from a pro-fluoride campaign launched by the Dental Association for the International Year of the Child.

Dentists earlier this year circularised local bodies to find out whether they would introduce fluoride if the government met the cost, and found that 26 were in favour of the move.

SIR DOVE-MEYER ROBINSON...crystallises anti-fluoride support.

This has drawn fire from members of the Pure Water Association. For example, Wellington's Jas Billings regards pro-fluoridationists as drug-pushers and calls fluoridation "a denial of human rights".

The anti-fluoride movement, according to Billings, is not officially co-ordinated, but groups throughout the country support each other and keep in touch.

The movement tends to crystallise around skilled campaigners such as Dove-Meyer Robinson and J Stuart-Menzies, of Tauranga, whose group was influential in the Rotorua decision.

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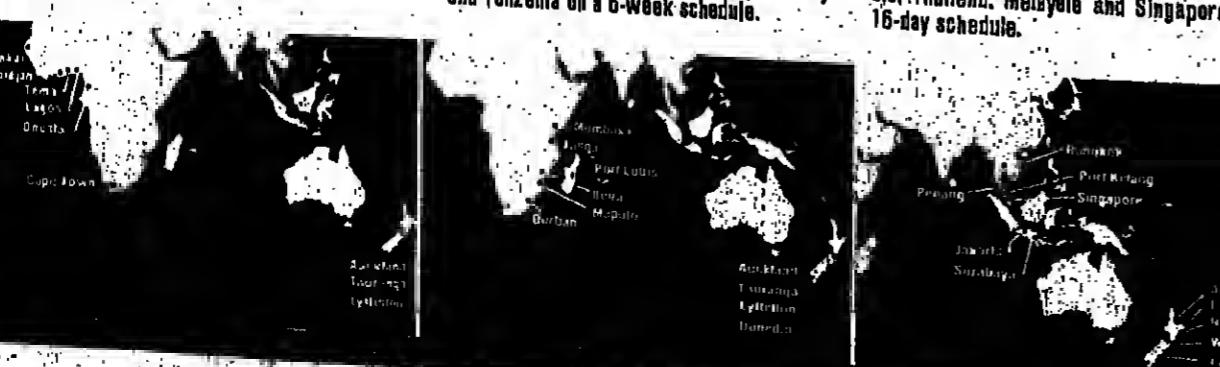
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# Anti-fluoride rally gains impetus

NATIONAL BUSINESS REVIEW, AUGUST 15, 1979-21



by Belinda Gillespie

TO the 20 per cent or fewer of the population who care, fluoridation is a passionate cause. Sometimes it leads to desperate acts.

At a Plunket mothers' meeting in Greytown a few years back, a Wellington dental officer publicly poisoned himself in an attempt to disprove anti-fluoridationists' claims that fluoride was 15 times more lethal than arsenic.

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The results are usually in the other camp. New Zealand's leading

fluoridation was thrown out in a 13-10 vote on July 18, only six months after the equipment had been installed.

Sir Dove-Meyer Robinson intends bringing a notice of motion at an Auckland Regional Authority meeting to halt fluoridation in Taupo aborough council member has given a similar notice.

In Nelson the anti-fluoridation lobby is working on council members who will vote in September on whether to fluoridate.

Eighty rallied to the cause at a recent meeting called by anti-fluoridationists in Tauranga, and demanded that

campaigner Sir Dove-Meyer Robinson, who in May of this year visited about 12 United States cities where fluoridation had been discontinued, and sponsored the visit to New Zealand of an American biochemist, J Viamouyiannis, a joint-author of a paper linking fluoridation and cancer.

The anti-fluoride campaign in New Zealand has been given new impetus.

In Christchurch, the last of the major cities to remain unfluoridated, the city council voted against the measure on July 16. In Rotorua,

the major cities to remain unfluoridated, the city council voted against the measure on July 16. In Rotorua,

willingness to use any but the orthodox educational channels to get their message across.

Following the recommendation of the 1957 commission, that fluoridation was not an issue for a referendum, but a matter for an educated council to decide, a group of doctors and dentists formed and held meetings with councillors.

They found that the more colourful activities of the other side received better press coverage, and that the 500 words they were allotted in the local paper wasn't enough to put their case, let alone a 10 minute talk-back on radio with both sides represented.

Skegg is pessimistic about the future of fluoridation, and says there are strong stirrings against it in other North Island areas — Taupo, New Plymouth, Mount Maunganui and Tauranga — which have been fluoridated for some years.

Geoff Annan, chairman of the New Zealand Dental Association, said that the referendum situation favours the "anti" — in Greytown and Wanganui, for example, referenda have also been lost.

The importance attached to the American cancer paper by the opponents of fluoride in Rotorua had overlooked the fact that although it had been accepted as evidence in a lower court hearing in Pennsylvania which ruled against fluoride, the ruling was later overturned in a higher court.

Annals maintains that there is some bias and emotionalism on both sides. "As a public health measure, fluoridation is probably more successful than any other. But there is a case for arguing that its imposition on all segments of the population infringes upon human rights."

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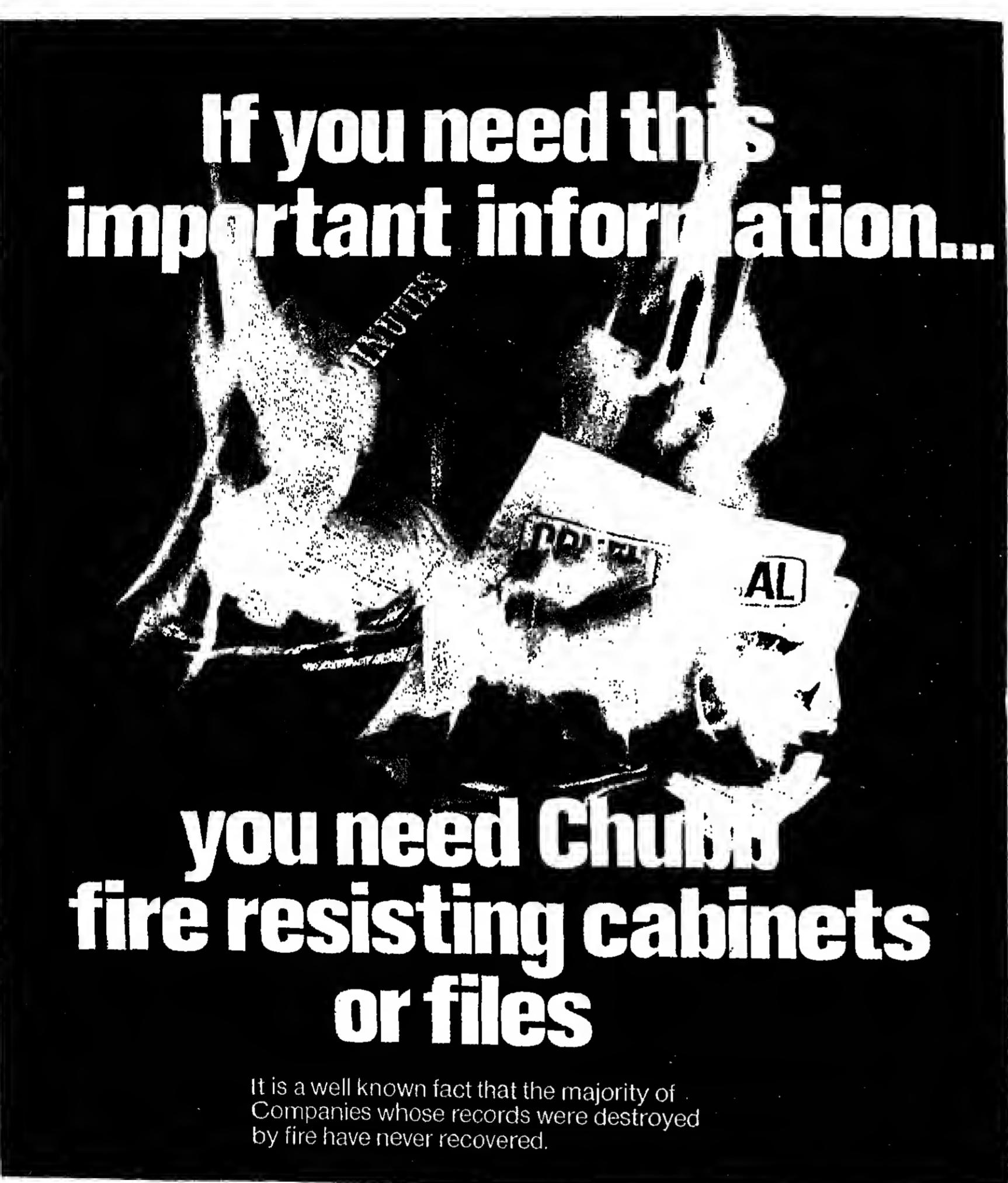
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## Talboystakes subtle approach to access problem

by Anthony Itaas

NEW Zealand's dairy exports to Japan have doubled in the last three years — to \$70 million.

But in a "state of the negotiations" report, Foreign Affairs Minister Brian Talboys says that liberalised access for dairy products is the trade issue of greatest interest to New Zealand.

In his report to the Japan Advisory Committee on his April talks in Tokyo, Talboys revealed how much more subtle is his approach to the Japanese problem, contrasting with the battering-ram approach of Prime Minister Rob Muldoon.

"The access problem is a vital one for New Zealand. But it is, I think, important to put it in a wider setting," said Talboys.

However, Muldoon has previously concentrated on negotiating little link between New Zealand access to the Japanese market and Japanese access to the fish in New Zealand's 200 mile exclusive economic zone. Talboys touched on it and went on to look at how New Zealand's objectives could be achieved by concentrating itself with the vital relationship.

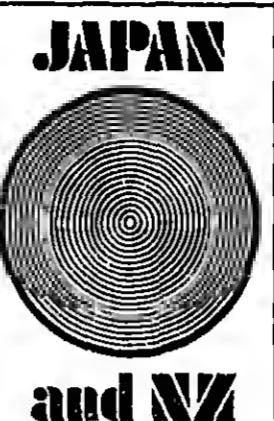
Talboys says his impression is reinforced by Japanese commitments made in private talks between himself and Muldoon, and the then Japanese Agriculture Minister Nakagawa, that New Zealand would win a growing market in Japan for meat and dairy products, would be honoured.

The conclusions were secret, making it hard to evaluate the ministerial claim — and the only specific volunteered by Talboys was that New Zealand believes that "when Japan needs to import butter and milk powder again, it will buy from New Zealand".

The Japanese have a problem meeting the New Zealand request — and Talboys acknowledged this in pointing up what New Zealand feels can be done by Japan. "We accept that in the area of most interest to us, dairy products, Japan has a genuine problem at present with domestic over production of raw milk, and that because of this imports of butter and skim milk powder are not in prospect at present," he said.

"The Japanese Government is, though, making a real effort to do its best," said Talboys.

He added that the Japanese



to grapple with this problem, through, in particular, the decision earlier this year to hold, for an unprecedented second year in succession, the guaranteed price paid to farmers for raw milk for processing.

"But as I have said many times in the past, I still believe that there is scope for the Japanese Government to make the minor adjustments to its system of protecting its farmers which would permit the access we have been seeking for relatively small quantities of livestock products."

Talboys said "it could be done without affecting adversely either Japanese national interests or the livelihoods of Japanese farmers."

Political barriers to access have not operated for all New Zealand's livestock exports, most of which Talboys says have grown substantially.

For a long time Japan has been a major purchaser of mutton and wool.

Now sales of lamb are taking off, and in total, in the nine months to March, Japan bought nearly \$10 million of meat from New Zealand.

Talboys acknowledged that in the area of dairy products, "there have admittedly been no sales of butter or normal commercial sales of SMP since 1977".

But total dairy product sales to Japan last year reached nearly \$70 million. They have doubled in three years.

Most important, Japan is now our biggest single market for cheese. It also takes useful quantities of "near-hearts" — products which are basically dairy, but which have other ingredients added so they are not affected by quota restrictions.

"What we lack in Japan is what I might term a New Zealand constituency," he said.

This concern has led the Minister to take up the idea of a Japan-New Zealand Foundation, canvassed by the chairman of the Japan Advisory Committee and former New Zealand Ambassador to Japan, Tom Larkin.

Talboys found Japanese Ministers favourably inclined to a foundation that would make people in Japan and New Zealand more aware of each others interests and concerns.

Talboys said he was sure New Zealand could look forward to continued growth in this trade, particularly of cheese.

"In fact one of the most satisfactory aspects of my visit to Japan was the assurance I received from Japanese Ministers that, despite former pressure in response to the surplus production of milk, no further restrictions on imports of dairy products, such as cheese, are being considered."

Talboys questioned whether New Zealand exporters were doing all they should to win markets in Japan for a diversified range of products.

He suggested the Japan Advisory Committee (a grouping of interested individuals from government, business and research) devote further efforts to promote greater interest in the Japanese market on the part of New Zealand exporters.

The market must be researched more by New Zealand, the Minister said.

Japanese importers reportedly are interested in helping New Zealand to the extent of sending a top-level team to New Zealand later this year — to look at import possibilities and investment opportunities.

Talboys suggested this approach, and got a favourable reaction.

When attention shifts away from the political trade barrier issue, improvements can be spotted in the bilateral relationship — one of New Zealand's top four trading partners.

After years of negotiation, Air New Zealand and Japan Airlines are to soon start flying to each other's countries.

But the Minister made it abundantly clear that "trade does not grow in a vacuum".

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He has asked the Japan Advisory Committee to help develop the idea.

From a recent — and in fact short — concentration on attempts to gain better access by battering at Japan's stolid front door, it seems from the Talboys line that a more low-key process of advocacy will be employed by New Zealand.

Talboys is quite frank in his reasoning.

"I believe that what we should be doing with Japan now, is trying to build up the relationship in other areas that will back up our efforts to increase our trade."



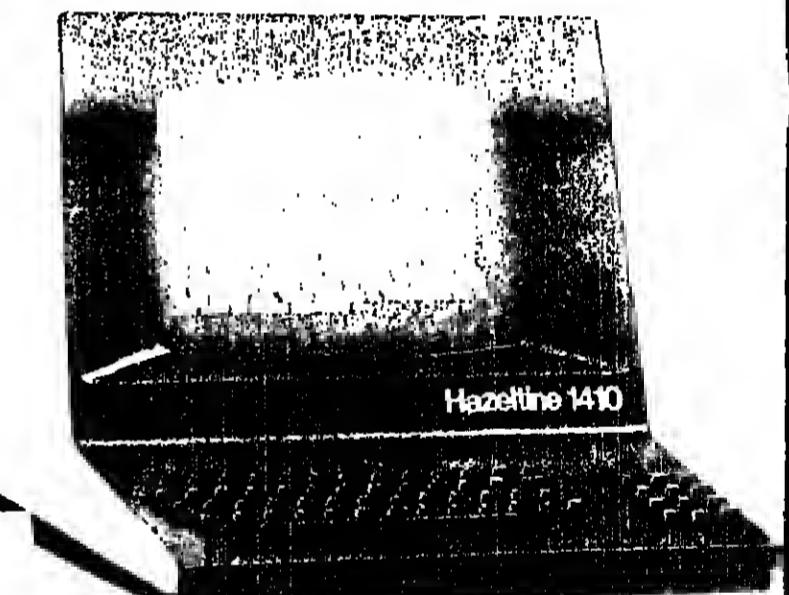
BRIAN TALBOYS ... tries soft touch.



ROB MULDOON ... battering ram falls.

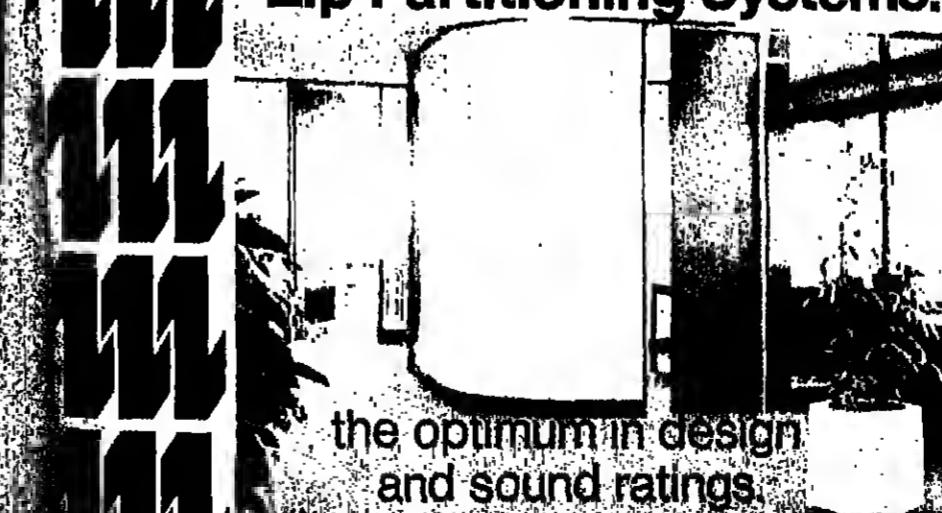
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## Road transport leaders face hard path ahead

LEADERS of the Road Transport Association are waiting for the balloon to go up over their handling of the biggest issue facing their industry — the controversial road user charges scheme.

A report is due to be tabled in Parliament shortly which will give the ordinary carrier little satisfaction for the gripes he's voiced consistently since the scheme was first mooted nearly two years ago.

The report is from a working party of industry and Government officials and when its contents become public, carriers will find only a few minor modifications but no changes to the basic structure of the system.

The discovery is going to reach back in the faces of the top elected and appointed leaders of the Road Transport Association. And they know it only too well.

Rank and file members last year had consistently been told to cool it on drastic protest action until the teething problems of the system were known. And this year the word has been, hold off while the working party is doing its examination.

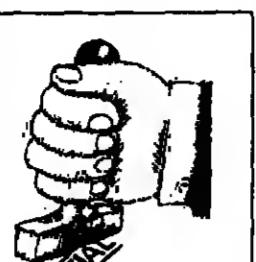
Association president Bob Martin just managed to hold off a potential riot from his members at their annual conference in Rotorua last year. Since then, the association has been forced into more provocative public postures by members demands to see the association actively opposing the scheme.

This process culminated in vice president Ian Johnson telling disaffected Auckland members that the national council had plans for a truckies' "convoy" while at the same time cautioning that any protests had to be non-disruptive and legal.

Since Johnson's speech two months ago, nothing more has been heard of these protest plans despite a cryptic comment from association executive director Bernard Gresham that no date had been set for any action.

Gresham added that the plans were being held in reserve until it was known how the Government treated the working party's report.

In November last year Transport Minister Colin McLachlan agreed to the association's request for a working party to examine how the scheme was operating. He



GOVERNMENT  
ADMINISTRATION

had said earlier of the complaints about the new law: "We can't get it right the first time."

And so the architects of the new scheme sat down with its most vociferous critics and interested representatives of Federated Farmers and the Manufacturers' Federation to go through a long list of grizzles, complaints and alleged inequities of the road user charges tax system.

The carriers' complaints include:

- The use of hubodometers to measure distance (an important factor in calculating the tax take);
- Off road running, refunds and the speed with which these were processed;
- The \$2 administration charge levied by the Post Office for selling carriers' distance licences;
- The requirement to buy the licences in advance;
- Paper work the scheme created for carrying firms;
- Alleged cash flow problems generated by the higher tax rates;
- The actual amount of tax collected and the use to which it was put.

To this shopping list of changes must be added a long standing argument over the basis on which the National Roads Board's income would be apportioned among carriers, the private motorist and the Government.

While the working party continued its deliberations through the first half of this year, and in the words of one senior official, "the carriers' reps had a good grizzle and felt a lot better afterward," the RTA had something to hold up to their members as an indication that something tangible was being done.

And then in May, Colin McLachlan let the cat out of the bag.

In a speech to the Road Federation in Wellington he

cautioned the industry to listen to its leaders and wait for the working party's report.

But he said: "We are prepared to consider any suggestions from the industry to do with the application of the road user charges scheme, with the sole proviso of course, that the suggestions put forward do not compromise the very basic and sound policy objectives sought by the Government in the scheme."

It was the only way in which we could get the working party set up," he said.

"It was the prior we had to pay".

Despite all the complaints about the scheme, NBR was told by officials involved that "we did get it pretty nearly right the first time, and this report will prove it".

That's not going to be cheering news to the association's annual conference set down for Hastings late next month.

Last year's conference was dominated by discussion on road user charges and was also marked by a heavy clamp on delegates from the top table.

Top association leaders had been warned privately not to embarrass the Government going into the election, and hints were dropped that good behaviour would get its reward (see NBR, October 4, 1978).

Delegates at this year's conference will be less inclined to accept any miffing of their claims about input management at the issue by their association's leaders.

Top association leaders had been warned privately not to



BOB MARTIN . . . holds off potential riot.  
COLIN McLACHLAN . . . "know and accept us."

The cry — muted at the 1978 conference but again in Auckland this time — direct action will again.

Once the delegates

had accepted the principle that road tax should be related to road use and the damage imposed on the roading network, the principle of "the greater the damage, the more the tax".

McLachlan said that "the aim of the working party is not to alter these principles or objectives".

But he hammered the message home by saying "the industry's representatives on

## Downturn exercise cuts management teams back to 98 survivors

OF THE 242 teams which contested the first round of the 1979 Business Management Game, 98 have survived to do battle in the next.

The team with the highest profit from the first round of decisions was R F & M W Schwartz of Tirau with a profit of \$17,711,000 and a margin over the second team in its game, a central North Island timber company, of \$2,948,000.

The team with the largest winning margin was a Christchurch team from a medium firm of chartered accountants with a margin of \$4,531,000 over its nearest rivals.

Teams which managed their cash properly and which did not overcommit themselves to large plant came through well and were still making good profits at the end.

Teams which took the hints contained in the hints continued to do well,

others did not analyse the situation correctly and some disastrous losses were ex-

perienced.

"A number of teams found the deteriorating business climate unsettling," Dr Jameson said.

"They ran into serious difficulties with too much plant and, unable to generate sufficient cash, they suffered huge losses through having to undertake sales of plant in the last three periods.

"Teams which managed their cash properly and which did not overcommit themselves to large plant came through well and were still making good profits at the end.

As the economy tightened, teams were told, loan limits would be reduced and some slowing of debtors could be expected.

Teams which managed their cash properly and which did not overcommit themselves to large plant came through well and were still making good profits at the end.

As a lesson in business management there were some interesting examples of what not to do.

"Some teams made the

classic error, when the going got tough, of cutting their marketing expenditure and they suffered the usual results of such activities with big losses in market share.

"While some teams attempted to make profits at outrageously high prices in some of the games, in others the pricing was so cut-throat that all the teams made losses as they vainly attempted to maintain their sales volumes."

Probably the hard luck story of the round was one team which failed to make it to the second round by a mere \$8000.

They were just pipped by the North Canterbury rural syndicate of Holmes & McKenzie.

The 98 teams which have again and they will have to go through to the final decision back to the administrator by August 24.

Accumulated profit to \$100,000

Game Whining Teams

Game	Whining Teams	Accumulated Profit to \$100,000
AUCKLAND REGION		
AA1 Auckbrake Ltd	7,882	
AA1 E Andrews	7,405	
AB2 Duthie NZ Ltd	8,833	
AB2 H E Consolidated Ltd	7,625	
AC2 National Chartered Accountant (Whangarei Team)	5,582	
AC3 Beecham Research Labs	6,148	
AD2 National Chartered Accountant (Auck Team)	10,410	
AD1 Baetech Associates	8,819	
AE4 Fletcher Ironworks	10,182	
AE3 Columbus Maritime Services Ltd	8,301	
AF2 Fibremakers NZ Ltd, Team 2	12,076	
AF2 Chase-NBA NZ Group Ltd	11,151	
AG1 MWD Auckland	15,197	
AG2 Fibremakers NZ Ltd, Team 1	14,620	
AG3 Fisher Publishing Group	11,791	
AH2 Freightways Data Centre Ltd	11,653	
AM5 MS Manufacturing	9,177	
AJ3 General Foods Corp NZ Ltd	9,033	
AK2 IDAPS Computer Science (NZ) Ltd	10,986	
AK3 Prismar Plastics Ltd	10,188	
AL2 Midhams Taylor Ltd	12,979	
AL3 Manukau Technical Institute	11,096	
AM3 Hynderson-Merrill Limited	12,433	
AM4 J & B Stevens Ltd	12,309	
<b>AUSTRALIA &amp; CENTRAL NORTH ISLAND</b>		
CA1 Polychem (NZ) Ltd	8,657	
CA1 NZI Finance Ltd, Team 3	8,172	
CI1 UCB Industries Ltd (Papatoetoe)	15,251	
PD4 MBS Corporation Ltd	12,516	
CG5 Auckland Hospital Board	13,117	
CD3 National Chartered Accountant (Auck Team)	10,621	
CD4 MHI Plastic Moulding	11,115	
CD1 Tasman Print & Paper, Team 3	9,907	
CD3 Teigan Plastics Ltd, Team 2	15,795	
CD4 Phillips Enterprises, Matamata	11,910	
CP2 Autolodge, Hamilton	8,638	
CP3 East Coast Poultry Co Ltd, Napier	7,065	
CP4 Whistone Marlborough Ltd	10,006	
CP5 Puketaihi Holdings, Palmerston	9,268	
CP6 Raupilio Syndicate, Tauranga	11,303	
CD1 Tasman Print & Paper, Team 1	10,719	
CD4 R P & M W Schwartz Ltd, Tirau	17,171	
CD5 Central Nitro Is, Timber Company	14,222	
CR2 MWD Turangi	14,790	
CR3 J Wattie Canneries Ltd, Hastings	13,237	
CL2 Treloar Enterprises, Hamilton	12,145	
CL1 Acclaw, Eltham	8,179	
CM2 Hastings City Council	11,012	
CM1 Tasman Print & Paper, Team 2	10,188	
<b>WELLINGTON REGION</b>		
WA3 BNZ, P & C Divn	10,432	
WA1 AHI Plastic Film	9,231	
WB2 ANZ Banking Group	9,501	
WB4 Civil & Civic NZ Ltd	9,239	
WC3 Wellington Chemicals Manufacturer	19,381	
WC2 CMC-Toyota, Johnsonville	10,587	
WD1 CBA Bank Ltd	11,942	
WE3 Gini Syndicate	10,412	
WF2 Ford Motor Co, Team 2	13,222	
WF2 Ford Motor Co, Team 4	11,582	
WF3 Jewish Young Marriers, Team 1	1,086	
WG1 Ford Motor Co, Team 1	12,683	
WG2 IDAPS Computer Science (NZ) Ltd	11,787	
WH4 Wellington Chartered Accountant	10,684	
WH1 Mobil Oil NZ Ltd	10,412	
WJ3 Mansell Enterprise	12,936	
WJ2 MWD Head Office	11,587	
WKS A King & Associates, Lower Hutt	11,587	
WK1 NZ Dairy Board, Team 3	10,195	
WL2 Reserve Bank of NZ	8,689	
WL4 George Stuart & Associates, Lower Hutt	15,830	
WM3 B McCulloch & Associates	13,605	
WM1 NZ Apple & Pear Marketing Board	13,183	
+WN3 APC Enterprises	12,183	
<b>WELLINGTON &amp; SOUTH ISLAND</b>		
SA3 IIP (NZ) Ltd, O R Seelion	12,527	
SA2 Shell Manufacturing NZ Ltd	12,779	
SB3 D E Wood Syndicate, Wellington	6,364	
SB4 National Chartered Accountant (Wellington Team)	8,478	
+SC1 State Insurance, Head Office	8,677	
+SC2 Dept. Trade and Industry Industrial Development	7,947	
+SD2 Alliance Freezing Co (Southland) Ltd	15,121	
+SD3 Christchurch Chartered Accountant	11,151	
SE4 Dowson & Co Ltd, Dunedin	9,610	
SE5 Deanes Ltd, Christchurch	6,653	
SP3 Coulterbury Frozen Meat Co Ltd	14,682	
SP2 National Chartered Accountant (Christ Team 1)	12,109	
SO2 National Chartered Accountant (Dunedin Team 2)	6,112	
SG4 Jones & McKenzie, Scargill	5,001	
SJ2 National Chartered Accountant (Christ Team 2)	12,399	
SJ1 G L Bowron & Co Ltd, Christchurch	6,381	
SJ5 Christchurch Chartered Accountant	11,816	
SJ2 Christchurch Wine & Spirits Merchants	8,816	
SK1 National Chartered Accountant (Dunedin Team 1)	12,658	
SK3 Kempfhorne Prosser & Co Ltd, Dunedin	11,109	
SL1 Christchurch Chartered Accountant	15,517	
SL5 Fletcher Lueerne, Ashburton	11,665	
SM3 Moheson International Ltd, Invercargill	11,384	
SM1 National Chartered Accountant (Christ Team)	11,382	

+Denotes 4 team game

# A waste of energy!

## The Problem

As traditional energy resources dwindle, soaring energy prices force manufacturing costs to escalate, goods cost more to make, become harder to sell. Cost saving technology becomes critical. Alternative energy sources must be found.

## The Cost and Benefit

The installed cost of a five kilowatt system suitable for an existing home is around \$1,000. If the system is around \$1,000 when building a new home the cost is considerably less.

Recognising the need for alternative energy systems, the Government has offered an interest-free loan of \$500 towards the cost of installation. At current energy prices the cost would take around five years to recover. But as traditional energy sources continue to rise, the



## Personnel Department: the buck stops here

by Heather Marshall.

**DOZENS** of essays have been written, speeches made and books written about the uselessness of the personnel department in industry.

How-to-succeed-in-business-authors devote humorous last chapters to the subject, mostly summing up their criticisms with the suggestion that if the department closed down, it wouldn't be noticed.

I'll go along with that, but only as long as the managers and supervisors of the other departments are prepared to take over the responsibilities that will fall to them.

As a personnel officer, I

speak from experience. A list of my duties doesn't sound arduous. But I spend only a quarter of my time on the work in my job description. The rest of my time is spent doing duties which managers

and supervisors push out to me because they are non-productive and they won't be bothered with them.

These same people are those most given to sneering at the personnel department.

No one has come up with a good definition of personnel functions.

My own particular definition is that we're there to take the blame. My boss, the personnel manager, says we are there to do whatever the staff choose to think we should do.

In my case, then, I'm expected to do whatever 250 people expect of me.

My day begins when I get out of my car in the morning. The gardener has been hosing the patch in front of my parking space in wait for me.

It's raining and there's a piercing wind. But he takes no time to see the mess the lawnmower made of the lawn by hacking at it while turning.

A 20 centimetres trench has ruined this section of the lawn because the truck driver had to rev five minutes to get out. It's my job to contact the firm and see if it doesn't happen again.

We both know it will.

I sympathise with the gardener, admire the job he has done trimming the poplars and listen to his complaint that someone has broken into the tool shed to steal some engineering gear there, and while the lock was broken someone else has stolen the motor mower.

It's a hole has been dug again in the mesh fence at the back of the plant for a quick entrance and exit across a lethal railway track.

I promise again to arrange its repair. This hole is made and patched up once a week on average. I'm supposed to be able to devise a way to stop people with a more persistent bent than mine from killing themselves.

The gardener finishes his list of complaints with an account of his wife's fainting spell while going to the bathroom in the middle of the night and how the doctor wouldn't come out.

By the time I get inside, my hair is soaked and I'm shivering with cold.

On the way to my office I'm stopped by several people.

One wants to join the social club. I promise to arrange it.

Another claims to have found a mistake in his pay. Will I investigate? I will.

Yet another wants a day off tomorrow because his wife has gone to hospital and her mother can't mind the children after today. Has he any leave left and if not can he use sick leave? Do I know if he has any leave?

I promise to look up his leave situation and let him know.

Someone wants a \$20 advance on his wages because the garage won't let him have his car back till he's paid for the repairs and he's \$20 short. He's

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### Copying Products

## Service competition brings doubtful benefits

by Bob Siron

CABINET's recent decision to allow Nelson-based TNL import licences for two jetfoils and spares worth \$25 million highlights a problem with which the Government must grapple.

On the one hand, National Governments are supposed to pay more than lip service to the ideal of free enterprise; on the other, the present administration should be concerned itself with resource conservation.

The jetfoil, if it goes into service, will carry passengers who use either the rail ferries or air travel.

It seems unlikely that Air New Zealand would be able to cancel Wellington-Nelson services just because the jetfoil is taking some traffic away. Probably it will carry on with the same level of service — but with reduced revenue.

The rail ferries also will have to continue. This service was started mainly to provide a rail-on, roll-off railway goods wagon link across Cook Strait, with space for commercial vehicles, and passengers' cars.

At the same time there would have been an extra \$25 million invested in the transport industry, and there would be a new service far more energy intensive than the rail ferries.

Yet the Government gave the green light to TNL — but without the traffic guarantees which that company had hoped to secure.

But at the same time those passengers contribute some \$1

million a year in fares ... at least \$15 million in the life of a ship.

Now TNL is reported as having suggested that \$12 million would be saved if replacement ferries were designed only for car passengers, with all walking passengers being taken by jetfoil.

But how will that \$12 million be saved? And even if it is saved, the revenue loss of \$1 million a year over the life of the ship would more than cancel out my saving.

At the same time there

would be an increase in transport costs, then the total sum we spend on transport must increase.

Yet the population is not increasing, nor is productivity, so the increased transport capacity will be carrying the same quantities.

The same criticism can be levelled against efforts to get the airfreighting of motor cars off the ground again. One brave attempt has already been made to fly Caravans across the strait, and another group is working on a proposal.

A third example is Air New Zealand's advertising which suggests that by flying, we can avoid the problems posed by earless days and weekend petrol sales bans.

To return to basics, New Zealand has enough transport. It has ample aeroplanes, ample railway lines and wagons, ample roads and trucks, buses and private cars, ample parts and ships, all of which represent a huge investment for a small country.

If we have additional ser-

vices requiring additional investment, then the total sum we spend on transport must increase.

Competition in productive areas is another matter — increased efficiency is a likely result, and surpluses can often be exported. But we cannot export surplus internal transport capacity.

A total take-over is hardly necessary, however. The State transport undertakings could let out more work on private contract. Small trucking firms or owner-drivers could do a lot of work carried out by NZTA goods lorries for instance (and Post Office trucks too for that matter). Air New Zealand might be able to make more feeder service work available to independents working on contract and so on.

But state employees could present the big stumbling block, however, the State unions could well consider the alternative.

If the Government did allow massive duplication of services, there would eventually be cuts in Government transport services. And that would lead to a diminishing of State-run transport jobs.

The benefits of competition in the service sector must therefore be regarded as doubtful. In fact in most service areas, competition just does not exist — for example in postal services, electricity and gas distribution.

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But at the same time those passengers contribute some \$1

## Energy report favours electric forklifts

AN authoritative study by energy consultants, the Beeca Carter group, has favoured electrically powered forklift trucks over alternative forms of propulsion.

Electrically powered forklift trucks have a higher initial capital cost than other trucks powered by petrol, diesel or LPG, but the study found their lower operating and maintenance costs more than compensated.

The study was conducted for the country's leading battery manufacturer, Chloride Batteries NZ Ltd.

Beeca Carter surveyed equipment manufacturers and suppliers, operators and hire and maintenance companies leading to an assessment of average forklift truck operating conditions and costs.

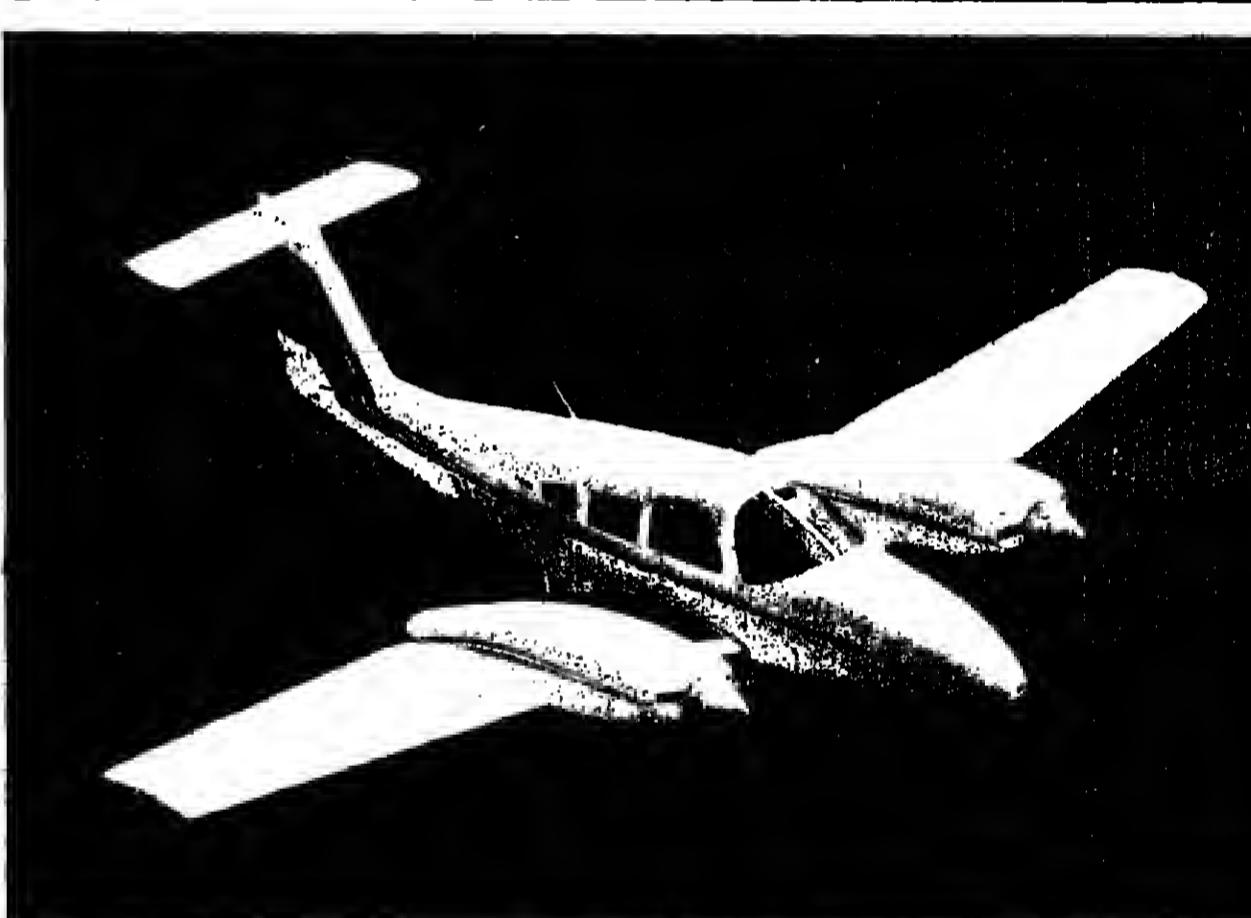
Its calculations, using actual cost data, took into account capital cost, maintenance, fuel, overheads, unscheduled downtime, taxation and salvage value, but excluded labour costs.

Petrol-powered forklifts are slightly cheaper than LPG vehicles, which in turn are slightly cheaper than diesel trucks. Electric forklifts are currently the most expensive, but the price differential is diminishing as the size of the truck increases.

Beeca Carter surveyed three vehicle types between 1.4 and 3.2 tonne capacity.

Oil fuel cost LPG was the most expensive by more than 10 per cent above petrol but electricity proved to be only a seventh to a fifth of the cost of oil.

The only environmental factor considered of significance was air pollution. Petrol was regarded as unsuitable for use indoors and diesel was seen as potentially offensive and unsatisfactory.



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## Investor protection

MR Sampson of the Association for the Survival of Enterprise in New Zealand dogmatically asserts that "there is only one cause of inflation — Government spending."

With the affairs of Securitibank and PSIS receiving attention in the news media when Mr Sampson was writing his letter, one would have expected him at least to demolish one explanation more than 100 years old of one cause of inflation, as, unless that explanation is demolished, there is more than one cause of inflation; and if there is more than one cause of inflation, Mr Sampson's argument is *ipso facto* invalidated.

Writing more than 100 years ago, H D MacLeod said: "Every loss of capital to an individual is a loss of capital to the whole community. And the general result to the community is absolutely the same, whether the loss of capital falls upon the individual or upon the bank. The capital of the nation

is diminished, but the currency remains the same. Consequently, every unsuccessful operation in trade alters the proportion between the quantity of the currency and the quantity of the capital it represents; and, therefore, every unsuccessful operation necessarily tends to diminish the value of the currency, unless some means can be devised by which a quantity of currency can be removed from circulation corresponding to the loss of capital. Now, the diminution in the value of the currency inevitably shows itself in process of time by a general rise in prices. It is impossible, perhaps, to point out the precise influence in any particular transaction; but yet it makes itself felt in commercial operations by a general rise in prices... If the currency be made of a material which has no value whatever, like paper... the quantity of currency remains the same, while the debt it represents is diminished. The consequence is a general diminution in value of the whole currency."

There is a growing body of opinion that investors need some protection from the

## Figment of imagination

WE ARE surprised to note the lowering of your usual standards of accuracy in presenting as apparent fact NBR July 18 the following fragment of someone's imagination:

"It seems wise to note that in your interpretation with what you interpreted as a smokescreen attempt to further restrict imports of overseas wine and rice, incidentally, but we concede your writers' opinions as being within the bounds of fair comment, even though somewhat off beam, you overlooked paragraphs 10.5 to 10.29 describing in detail the request and justification for a change in the method of imposing sales tax on wine."

Possibly your editorial writers do not read their own paper; as far back as May 16, 1979, hardly "last-minute" in relation to the Budget, NBR recorded the release of the Wine Institute's industry study



and development plan, which had by then been in Government hands for some months.

In your review of the study, your preoccupation with what you interpreted as a smokescreen attempt to further restrict imports of overseas wine and rice, incidentally, but we concede your writers' opinions as being within the bounds of fair comment, even though somewhat off beam, you overlooked paragraphs 10.5 to 10.29 describing in detail the request and justification for a change in the method of imposing sales tax on wine.

What the institute sought from Government in the study (and in correspondence dating back at least 12 months earlier) was a change from the

additional 10 per cent tax at wholesale level on the total value of packaged wine on the code of practice it already grants some right early notice and negotiation the union.

This is the context in our call for a public inquiry into the merger now considered. We are not suggesting "creeping monopoly" but asking for a serious and timely audit of proposals of nature prior to their implementation.

The industry study including our sales tax request was deemed of sufficient significance to the Minister of Finance to cause him to refer these matters to the Industries Development Commission (IDC) on July 18, again by Peter O'Brien. Having made that decision, it seems to us not unreasonable that the Minister should withhold any further action on sales tax on wine, whether in terms of our request, or in any other direction, until after receiving the report and recommendations which the IDC is required to furnish to him by June 30 next.

To suggest "stealth last minute negotiations" is not only erroneous and without foundation, it is unfair to both the government and this Institute.

T J Dimbleby  
Executive Officer  
WINE INSTITUTE OF NEW ZEALAND

## Early notice rights plea

I READ with interest Linda Gillespie's article on the spread of the L T Nathan organisation in your issue of July 25 1979. The spread of the Nathan's organisation may well lead to the development of a more efficient retail sector. It is by no means self evident however that this process would arise simply from the fact that the relative share prices were in such a situation as to make a take-over proposal both likely and acceptable.

The concern of the Shop Employees Association about the merger rests primarily with the impact on staff numbers, as it is clear that there will be some 12 to 13 store closures arising from the Natus-McKenzies merger, and this is a factor in the public interest criteria to be considered in these matters under the Commerce Act.

There is also a broader concern that in the conduct of the rationalisation process in New Zealand industry so little formal regard is paid to the interests of employers. It is for

this reason that we have been endeavouring to ensure that the code of practice is drawn which grants some right early notice and negotiation the union.

This is the context in our call for a public inquiry into the merger now considered. We are not suggesting "creeping monopoly" but asking for a serious and timely audit of proposals of nature prior to their implementation.

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## Plumbers win pipe rights

by Peter Isaacs

PLUMBERS LTD has acquired Pacific Basin manufacturing rights for Shell Chemical's polybutylene plumbing pipe which takes both hot and cold water.

Polybutylene is a waste product from oil refining and Shell acquired its resin patent after buying the Witco Chemical Corporation two years ago.

The new pipe is manufactured for Plumbers Ltd by Dux Engineering, known as Qest-Dux. The pipe has already been installed on a trial basis in New Zealand homes. There have also been some installations in Australia.

Plumbers Ltd agency division general manager Keith Baker said that the reception of the new pipe by local authorities has been "exceptionally good". The pipe, he said, has also been improved by the Housing Corporation and the Health Department.

As this is considered rather unusual because both central and local Government are regarded as always being extremely cautious about approving non-metallic water pipes.

There has been no resistance — it has taken the industry by storm," said Baker who believes that the new pipe offers savings of 30 percent as against copper and a one-third labour saving in installation.

Plumbers is part of a three-company syndicate that has negotiated the rights to produce and distribute the pipe throughout New Zealand, Australia, the Pacific Islands and South East Asia. The other two companies who signed the contract with Qest International are CE Dunell of Masterton and Dux Engineers of Lower Hutt.

Sales agents have been appointed in all the Australian states.

## Duty knocks advantage

AUSTRALIAN moulderers have been given a greatly enhanced competitive stance following the Australian Government's decision to reduce the duty payable on injection moulders from 55 per cent to 15 per cent.

This is not entirely good news for New Zealand exporters who have found the high rate of duty was a substantial factor in Australian injection moulding overheads.

Trigon Industries managing director Bill Foreman aims to begin exporting Horticultural Products within 18 months and anticipates annual sales worth over \$500,000 "within three years".

This announcement came as something of a surprise during a two-pronged ceremony at Saitay in Saudi Arabia to grow New Zealand plants and shrubs for export to Europe and the United States.

Trigon has bought land at Hobsonville and will build a nursery there for propagating trees, shrubs, ornamentals and grasses.

Trigon and International Horticultural Enterprises will also establish a nursery at Saitay in Saudi Arabia to grow New Zealand plants to a saleable size.

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directly with current plans for a PVC plant by the private sector.

This plant was hotly debated several years ago. The original suggestion was for a PVC polymerising plant in the Whangarei area, but the plans surfaced at the same time as a major health scare over PVC production.

Cases of the fatal disease angio sarcoma had been traced to PVC manufacture. Subsequently, the health hazard has been isolated, and controls introduced.

A moratorium was declared on the issue however, and so the question of a PVC plant remains under consideration today.

The original proposal for the plant came from Chemtex Industries in partnership with BF Goodrich.

At present the most sophisticated raw material process in New Zealand is the compounding of PVC.

## Petrol ousts feedstocks

EUROPEAN plastics manufacturers appear to be facing up to the possibility of a confrontation with the major oil suppliers over asphalt.

Hans Meiner, president of the Association of Plastics Manufacturers in Europe, has accused the oil companies of keeping the filling stations supplied with petrol at the expense of chemical company requirements.

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Sales agents have been appointed in all the Australian states.

## Trigon spreads its roots

TRIGON Industries, the Hamilton plastics company, has diversified into horticulture.

Trigon has entered into a joint venture with International Horticultural Enterprises to grow a range of New Zealand plants and shrubs for export to Europe and the United States.

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the technology involved in the industry in New Zealand. "Last year there was considerable interest in a display of entries in Auckland's DownTown centre, and we expect the same level of interest this year."

Judging from the high level of entries last year, Wellington organisers have arranged for additional display space in the Trade Centre.

## Low density 'obsolete'

AHI this month introduces a new high density polythene pipe which according to AHI will make low density pipe 'obsolete'.

The new pipe means a cold jointing system made of reusable fittings which are applied with a wrench.

AHI will now concentrate on the new high density pipe though in the past the company has produced both high and low density.

The innovation follows AHI subsidiary Precision Plastics securing the New Zealand rights for the Polygrip system.

## Wrightcel wraps cheese

WRIGHTCEL reports "strong interest" in its new laminated export cheese wrap. The wrap has only just been approved by the Department of Agriculture and the Dairy Board for export.

Wrightcel is only the second flexible packaging company to manufacture an officially approved export cheese pack, the other is W R Grace of Porirua.

The order was won with the active assistance of the New Zealand Trade Commissioner in Vancouver, Peter Finkle.

After attending the Los Angeles Trade Fair, McCabe Industries marketing director Malcolm Mitchell sent some samples to an importer. This importer subsequently sold off the toy side of his business, but handed them to Finkle who quickly found a toy importing house that was interested in the McCabe product line.

"He really handed us the order on a plate," Mitchell said.

## 'Two island' energy policy case for a rate differential

NEW ZEALAND has a common bulk supply tariff for electricity, but should look seriously toward introducing a "two-island" energy policy for electricity, in which the markedly lower costs of generation in the South Island are reflected in different bulk supply tariffs.

The average New Zealand Electricity Department costs of electricity generation in the 1977-78 year was \$42.93 per kWh of peak demand plus 0.09 cents per kWh of energy.

Figures from the annual statistics enable an estimate of the proportions of peak demand and energy, in the two islands, and so we can derive the approximate average price paid per unit of electricity.

These costs were obtained from data — the latest available — in the department's annual report for the year ended March 31, 1978 and the annual statistics in relation to electric power development and operation, March 31, 1976. Costs were separated into North and South Island components by apportioning operating costs on the basis of relative proportions of total

energy generation, and capital charges on the relative proportions of cost of completed works and works under construction.

The results are approximate, but not too extreme.

The Cook Strait bridge's contribution to the North Island has been included in the South Island generation.

The bulk supply tariff to

electrical supply authorities in the 1977-78 year was \$42.93 per kWh of peak demand plus 0.09 cents per kWh of energy.

The 1977-78 national split between capital costs (which relate to plant operating costs) and energy costs (which relate to energy) was 1.4:1. But the North:South ratio was approximately 1.6:1, and the South had a 2.7:1.

The bulk supply tariff describes a charge which is relatively tailored to the North Island.

If the bulk supply is revised according to these arguments, we could see an increase of about 5% in the North Island's price per kWh, and of about 27% on the South Island average.

This conclusion is based on 1977-78 data, but the principles of the argument do not change markedly with the exception of the energy component.

In the South the constituted result is that although markedly higher energy costs therefore the average would have a very peak component bulk supply tariff, it would result in a good deal much of industry being considerably better off relative to other domestic sectors.

It reflected in this would give a distinct advantage to the industry, relative to the North Island.

North Island generators indicated, would be a small overall benefit to a modest increase ratio of peak charges.

These arguments in count of the actual price and demand situation in 1977-78 year.

They take no account of likely future changes in the industry, including arguments from the NZED and the Ministry of Energy that tariffs should be closer to reflect true costs than to 1977-78 which are part of why the current high tariff has an even component much higher indicated by the cost of the NZED.

Nevertheless, they are more "truthful" given setting of the bulk supply tariff than that which is currently in force, and recognise the differences in the bulk supply options, North and South Islands.

Such a philosophy, with substantial increases in South Island generation electricity, but little increase in domestic tariffs that would result would be politically suicidal for the authorities concerned.

It is possible for the South Island electrical supply authority to revise their tariff-setting procedures to remove the cross-subsidies.

But the substantial increases in domestic tariffs that would result would be politically suicidal for the authorities concerned.

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